Appendix 1

Transport for London
Provisional audit planning report

Year ended 31 March 2025

11 November 2024

EY
Building a better working world

Private and Confidential

11 November 2024

Audit and Assurance Committee
Transport for London
5 Endeavour Square
Stratford
London
E20 1JN

Dear Audit and Assurance Committee Members

Provisional audit planning report

We are pleased to attach our provisional audit planning report for the forthcoming meeting of the Audit and Assurance Committee. The purpose of this report is to provide the Audit and Assurance Committee with a basis to review our proposed audit approach and scope for the 2024/25 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations. We would like to highlight that this is a provisional audit plan and could be subject to change as we progress through our audit.

This report summarises our assessment of the key issues which drive the development of an effective audit for Transport for London. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 27 November 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Janet Dawson

For and on behalf of Ernst & Young LLP

Enc

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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).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 (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) 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, Board of Directors and management of Transport for London in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee, Board of Directors 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, Board of Directors 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.

01 Overview of our 2024/25 audit strategy

Audit risks and audit materiality

Group Materiality

Planning materiality

£103m

Materiality for the TfL Group has been set at £103m, which represents 1% of the 2024/25 budgeted total gross expenditure (being the total of current year operational and capital expenditure), which is determined based on the budget for FY2024/25 approved on 13 March 2024. We consider this to be the appropriate basis of materiality for the TfL group due to the scale and nature of the capital expenditure undertaken.

The amount we consider material at the end of the audit may differ from our initial determination and we will update it for actual figures rather than budget in due course. This is the same basis as in the prior year.

Performance materiality

£52m
PY: £50m

Performance materiality has been set at £52m, which represents 50% of materiality.

We set the level of performance materiality bases on our expectation for errors in the current year, based on our understanding of the control environment and level of audit differences in prior years. This is the same basis as in the prior year.

Audit differences

£5m

Our Audit differences threshold is determined based on 5% of planning materiality. This is the same basis as in the prior year.

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) and balance sheet that have an effect over £5m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Assurance Committee.

Audit risks and audit materiality

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error. The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Assurance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)	Fraud risk	No change in risk or focus	We have concluded that there is significant risk of material misstatement in the recognition of fare income which comprised £4,843m in 2023/24, generated through various sources including cash and contactless payments, fares which are apportioned with the Train Operating Companies "TOC" and those fares that are recognised over the period of the travel card. The process of revenue recognition is complex and involves a number of different third parties, which provides an opportunity for management override. There is also a potential incentive for management to misstate revenue to portray a stronger financial position & performance of the TfL Group. We also assess that this risk manifests itself through manual journal posting to non-fares revenue streams where there could be opportunity for override or error to occur.
Inappropriate capitalisation of capital projects including capital accruals	Fraud risk	No change in risk or focus	The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete. We assess the risk of fraud manifests itself through the potential for inappropriate capitalisation considering the level of capital expenditure and the complexity of these projects.
Valuation of TfL and TTL property portfolios	Significant risk	No change in risk or focus	TfL has an extensive property portfolio, with a net book value of investment property amounting to £1.6bn as at 31 March 2024. External valuers perform valuations across the property portfolio during each financial year. Small changes to the key assumptions used to value properties within the portfolio could have a significant impact on the financial statements.

Audit risks and audit materiality

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Significant accounting estimates – Complexity of provisions	Inherent risk	No change in risk factors	TfL, TTL and subsidiaries recognise a number of provisions related to different liabilities including commercial disputes, compensation and contractual arrangements and property claims. These provisions are subject to significant estimation, including uncertainty around commercial negotiations.
IFRS 16 Leases - Lease accounting, including the complexity of estimating the Incremental borrowing rate (IBR)	Inherent risk	No change in risk factors	IFRS 16 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 applied including the Incremental Borrowing Rate (IBR) applied. Historically we have reported an unadjusted audit difference in this area hence it remains an area of risk in FY25.
Complexity in relation to the valuation of derivative instruments	Inherent risk	Decrease in risk or focus	TfL holds a number of derivative instruments including FX forwards and interest rate swaps which are accounted for using the principles of hedge accounting. The review of the hedge documentation requires involvement of specialists, however, the instruments are vanilla in nature and it are relatively non-complex to recalculate the fair values. As a result the risk has been designated as an inherent risk rather than a significant risk.
Judgemental assumptions impacting TfL's pension position	Inherent risk	No change in risk or focus	The assumptions used to arrive at the value of the actuarial valuation of defined benefit assets and obligations is complex and involves significant judgment and estimation. At 31 March 2024, TfL reported a pension surplus in the balance sheet amounting to £2,26m. The Group's balance sheet reflects the pension position from the 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. TfL uses the services of Barnett Waddingham and XPS Group (actuarial experts) to support them with the actuarial assumptions and disclosures supporting the IAS19 figures.
Going concern	Inherent risk	Decrease in risk or focus	The going concern period to be considered is of at least 12 months from the approval of the financial statements. There are a number of uncertainties which could impact this assessment, including passenger demand, cost of living, consumer preferences and the availability of government funding. Management will need to ensure appropriate disclosure within the financial statements setting out the key risks and how these can be mitigated over the going concern period to ensure that services can continue to be delivered at current levels.

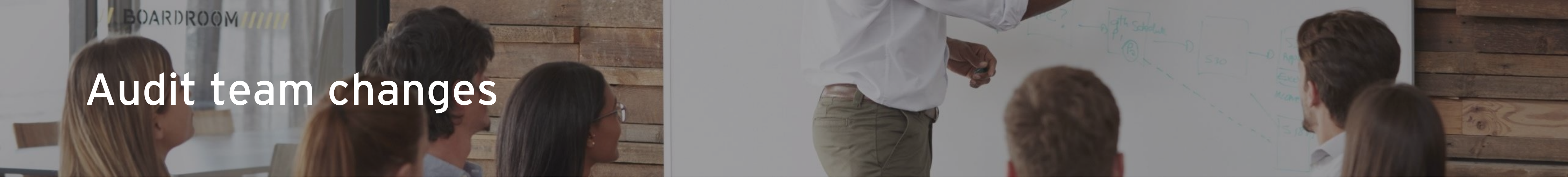
Audit risks and audit materiality

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Accounting for the new Silvertown Tunnel Private Finance Initiative (PFI) Scheme	Inherent risk	**Increase** in risk or focus	The £1bn Silvertown Tunnel PPP contract between TfL and Riverlinx CJV, a Construction Joint Venture, transfers construction, maintenance and operational risks to the private sector, with payment to Riverlinx tied to timely delivery and performance post-completion in 2025. TfL's annual payment of £65m, dependent on Riverlinx performance metrics, involves complex modelling and judgment which will be first recorded in the financial statements this year.

Other areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Climate risk	Area of focus	**No change in risk factors**	In response to regulatory requirements and Audit Committee expectations, we incorporated climate risk into our audit. The mandatory Climate-related Financial Disclosures for TfL highlight physical and transition risks – such as extreme weather and policy changes – that may impact financial statements. Our focus remains on ensuring these disclosures are complete and align with financial statement data gathered during our audit as well as assessing TfL's response to the recommendations we raised in the prior year. We will also ensure that key estimates and judgements throughout the financial statements reflect the impact of climate risk to the extent that they are known, including areas such as property valuations, going concern assessments and other key judgements.
Cyber attack	Area of focus	**Increase** in risk or focus	During the year the TfL was the subject of a sophisticated criminal cyber-attack resulting in some disruption to operations and data being exfiltrated from the IT estate. Investigations have identified certain customer data was accessed as part of this incident. There is also potential non-compliance with data protection regulations, which may result in regulatory scrutiny and penalties. To mitigate the impact of the cyber-attack, Management implemented a number of actions, such as restricting access to systems, including the general ledger, over a period of approximately 4 weeks. There is a risk that alternative arrangements during the restricted period give rise to additional manual journal posting where there could be an increased risk of fraud or error.



Audit team changes

Audit team changes

Key changes to our team

Partner

Katie Caredes

Katie will replace Philip Young as TTL Group Audit Partner following Philip's retirement.

Senior Manager

Jacob McHugh

Jacob will be the Senior Manager for the TfL Group audit whilst Chloe Wilkinson is on maternity leave.

Senior Manager

Yao Xian Chen

Yao will be the Senior Manager for the Places for London audit team, bringing her experience of working with our real estate clients.

Extended team changes

Key changes to our team

Partner – Technology Risk

Denise Fabb

Denise joins our IT team replacing Arijit Ray who has had to rotate off the TFL audit for independence reasons.

Senior Manager – Technology Risk

Graham Campbell

Graham joins our IT team replacing Shalini Supriya who has now left EY.

Overview of our 2023/24 audit strategy

Audit Plan

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Transport for London give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on TfL's Whole of Government Accounts return. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to Transport for London.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

Overview of our 2023/24 audit strategy

Value for money conclusion

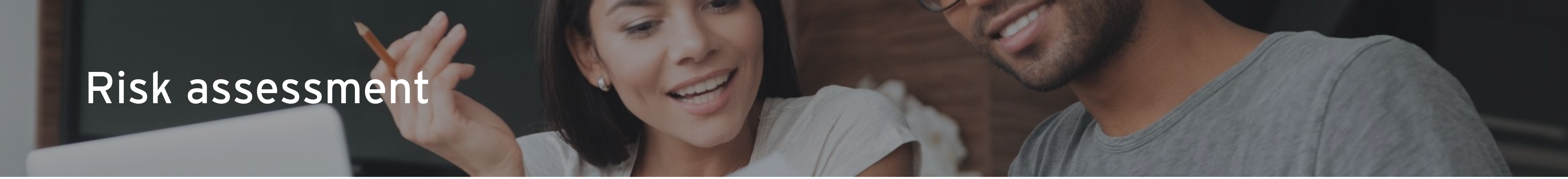
We include details in Section 03 but in summary:

- We are required to consider whether TfL has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.
- Planning for our work on value for money arrangements and our associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of TfL’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on TfL’s arrangements against the following criteria:
    - Financial sustainability - How TfL plans and manages its resources to ensure it can continue to deliver its services;
    - Governance - How TfL ensures that it makes informed decisions and properly manages its risks; and
    - Improving economy, efficiency and effectiveness - How TfL uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor’s Annual Report.

Timeline

See Section 07 – we have set out the phasing of our audit in order to meet the planned reporting timetable for a sign off at the end of September 2025.

02 Audit risks



Risk assessment

Key audit matters

ISA (UK) 701 is effective for periods commencing on or after 17 June 2016 and requires that we communicate key audit matters in our auditor's report. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit.

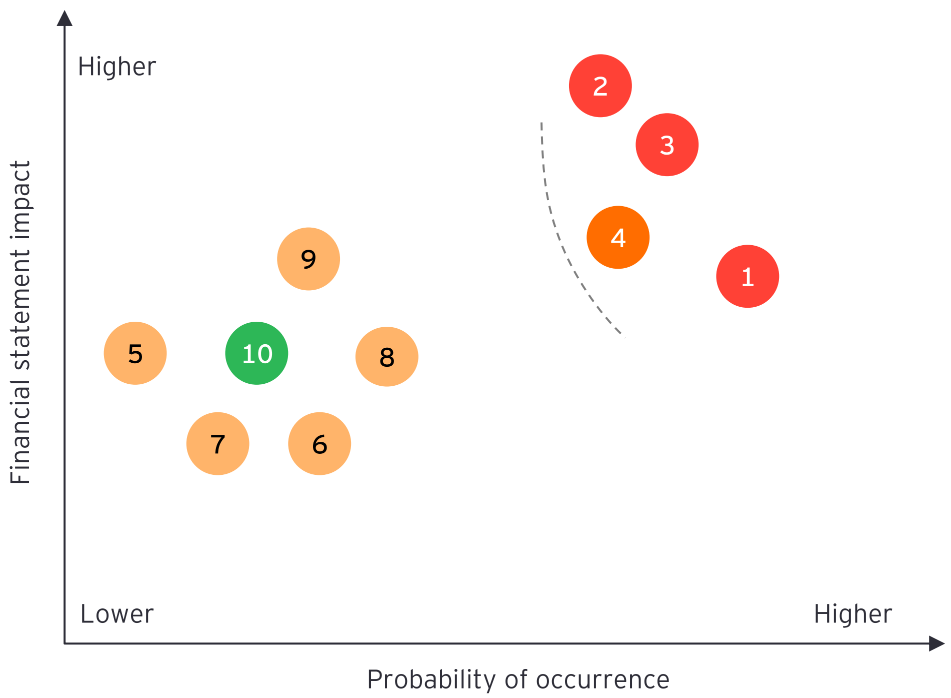
When determining key audit matters we will consider:

- Areas of higher or significant risk
- Areas involving significant judgment, including accounting estimates with high estimation uncertainty
- Significant events or transactions that occurred during the period

At this stage of the audit we do not know what key audit matters we will include in our auditor's report. However, we have included within this section the most significant assessed risks of material misstatement (whether or not due to fraud), including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We will confirm the key audit matters to you in our audit results report.

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal and emerging risks as identified in your 2023/24 Annual Report and Accounts and combined it with our understanding of the industry and other external factors to identify key risks that impact our audit. The following risk radar summarises the significant matters that are relevant for planning our year-end audit:



Fraud risks

1 Inappropriate revenue recognition

2 Inappropriate capitalisation of capital projects, including capital accruals

3 Presumptive risk of management override of controls

Significant risk

4 Valuation of TfL and TTL property portfolios

Inherent risk

5 Significant accounting estimates - including complexity of provisions

6 IFRS 16 Leases - Lease accounting, including the complexity of estimating the Incremental borrowing rate (IBR)

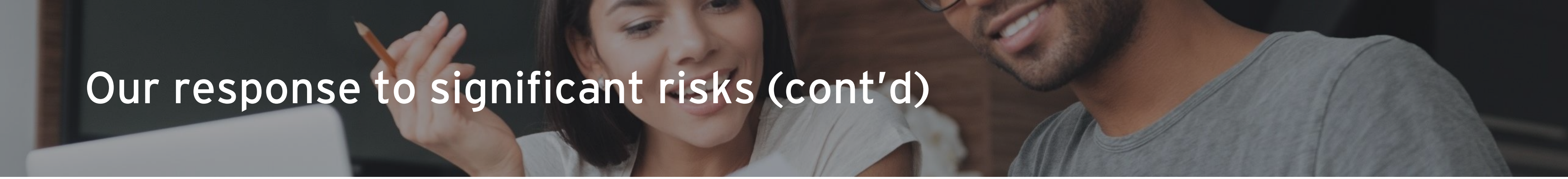
7 Complexity in relation to the valuation of derivatives instruments

8 Judgemental assumptions impacting TfL's pension deficit

9 Going concern

New risk

10 Accounting for the new Silvertown Tunnel Private Finance Initiative (PFI) Scheme



Our response to significant risks (cont'd)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

What is the risk?

In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk.

- Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.
- Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
    - Assessing accounting estimates for evidence of management bias
    - Evaluating the business rationale for significant unusual transactions outside the normal course of business, and
    - Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practise Note 10)*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income accounts. As at P5 fares revenue of £1,912.5m has been recognised.

What is the risk, and the key judgements and estimates?

We assess that the risk of fraud in revenue recognition manifests itself through fares revenue and also through manual journals posted to non-fares revenue streams.

Transport for London (TfL) generates approximately 72% of its revenue from fares charged to customers during FY23/24.

Fares revenue remains a focus of the financial statements audit due to the complexity of the IT systems and arrangements with service organisations used to record revenue and as well as the complexity required to determine the apportionment of revenue due to TfL and other Train Operating Companies. This complexity provides an opportunity for management override and there Is also a potential incentive for management to misstate revenue to portray a strong financial position & performance of TfL Group.

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 assessed the risk of manipulation of expenditure recognition manifests through inappropriate capitalisation and capital accruals which is reported on the next page.

What will we do?

- Our testing of revenue recognition will include both tests of control and substantive testing. We will:
- Perform controls testing over the effectiveness of the cash collection process and sales made at various sales outlets to provide evidence of existence of passenger income and services delivered;
- Obtain an understanding of the processes for recording fares revenue including the IT applications;
- Test IT controls using our IT specialists for the SAP, CPAY and OXNR systems;
- Evaluate the conclusions, with the support of our IT specialists, from the ISAE3402 reports on the controls operated by service organisations over contactless ticketing and Oyster Pay as You Go, including those over apportionment;
- Compare the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements, settlements in year and correspondence with the Train Operating Companies;
- Our substantive testing of revenue relating to Oyster Pay as You Go, Contactless Pay, Travelcard and Through Ticket will include the following procedures:
  - Sample testing of weekly sales reported in the sales database and agreement of this to raw sales data from the Central Data System which records all journey transactions. We will also agree the total revenue per the sales database for the year to the amount recorded as revenue.
  - We will agree a sample of periodic net settlements between TfL and the Train operating companies (managed by the Rail Delivery Group) for Contactless Pay, Oyster and Travelcard to invoices received from the Rail Delivery Group and to the bank statement.
  - We will agree the values reported as revenue in advance by performing a recalculation of the closing balance using the sales database that records sales of travelcards and oyster cards and the revenue recognised for the year recorded when customers take journeys.
- We will also perform journals testing over manual journal posted to fares revenue.

For Non-Fares Revenue, we will:

- Review manual journal entries for unusual postings related to adjustments to revenue.

Our response to significant risks

Inappropriate capitalisation of capital projects including capital accruals*

Financial statement impact

Misstatements that occur in relation to inappropriate capitalisation including capital accruals would affect the carrying value of assets under construction and capital accruals accounts. These accounts had the following balances in the 2023/24:

Balance Sheet Account:

- Assets under construction: £4,241m; and
- Capital accruals £476.6m

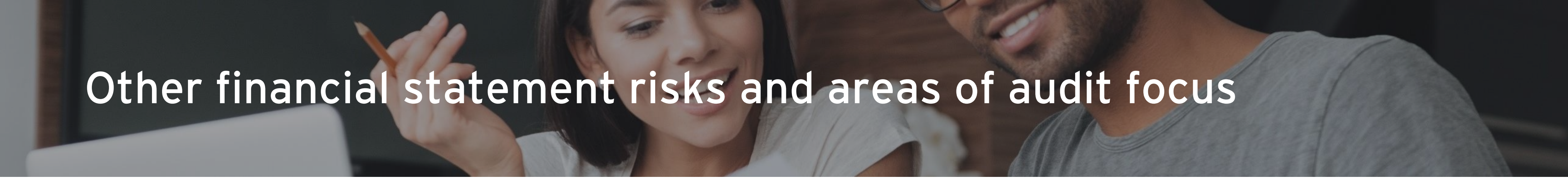
What is the risk, and the key judgements and estimates?

The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete.

We assess the risk of fraud in expenditure recognition has the potential to manifest through the inappropriate capitalisation of revenue expenditure considering the level of capital expenditure that is incurred each year and the complexity of these projects.

What will we do?

- Our testing of capital expenditure will include both tests of control and substantive testing to assess whether the expenditure capitalised in property, plant and equipment met the criteria under IAS16. We will:
- Gain an understanding of key controls and governance surrounding capital project accounting and management;
- Test controls over the effectiveness of the approval process for expenditure and for capitalisation, by testing controls related to the approval of capital expenditure recorded in property, plant and equipment to evidence of appropriate authorisation and of review of amounts capitalised;
- Select a sample of major projects based on size and risk and test expenditure capitalised during the financial period to supporting project documentation, including third party reports and valuations and assess whether the expenditure meets the criteria for capitalisation;
- Meet with project managers for a sample of projects to understand the scope, progress and viability of the project, to enable us to consider whether the accounting amounts recorded are consistent with the understanding gained of any delivery challenges encountered, or disputes with contractors and to consider whether this indicates any expenditure does not meet the criteria for capitalisation;
- Perform detailed testing on a sample of capital accruals to source documentation to test completeness and valuation of costs recognised at 31 March 2025;
- Visit a sample of project sites to further understand the scope and the progress on projects, to enable us to consider whether the accounting amounts recorded are consistent with the understanding gained of any delivery challenges encountered, or disputes with contractors and to consider whether this indicates any expenditure that does not meet the criteria for capitalisation; and
- Perform journals testing over unusual manual journals posted to capital during the year.



Other financial statement risks and areas of audit focus

Valuation of TfL and TTL property portfolios

Financial statement impact

Misstatements that occur in relation to TfL and TTL groups property portfolios would affect the net asset value. The accounts had the following balances in the 2023/24 financial statements:

Balance Sheet Account:

- Investment property: £1,615.1m

What is the risk/area of focus, and the key judgements and estimates?

TfL has an extensive property portfolio, with a net book value of investment property amounting to £1.6bn as at 31 March 2024.

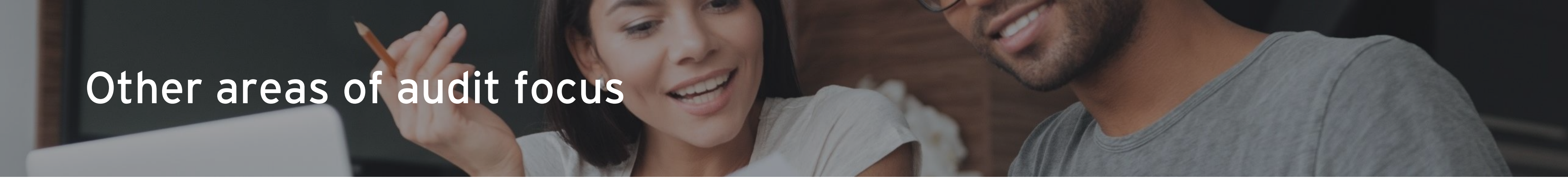
Changes to the key assumptions used to value properties within the portfolio could have a significant impact on the financial statements. External valuers perform valuations across the property portfolio each financial year.

Significant judgement is used during the valuation of the property portfolio due to the uniqueness thereof. Inaccuracies in inputs or inappropriate bases used in these judgements (in respect of estimated rental value and yield profile applied) could result in a material misstatement of the balance sheet.

What will we do?

For TfL, TTL groups and subsidiaries, we will:

- Obtain an understanding of management's process and controls around the valuation of properties;
- Obtain management's valuations report for properties valued at 31 March 2025;
- Evaluated the competence of the Group's external valuers, CBRE, which includes the consideration of their qualifications, expertise and independence;
- Meet with TfL's external valuers and discuss the methodology applied and key judgements used in the valuation;
- Select a sample of investment properties based on a number of factors including size, risk and representation across asset classes. For all assets in this sample of properties, we will test the source documentation provided by the Group to CBRE and the appropriateness of assumptions applied;
- For certain assets within this sample, we will use our valuation experts to assist in our testing of assumptions. Our valuation experts review and challenge the approach and assumptions that have been applied in the valuation of these assets as well as considering whether other market transactions contradict the assumptions used in the valuation.
- In addition, we will challenge the classification of assets as Investment Property under IAS 40 or whether they should be classified as operational assets under IAS 16 or lease receivables under IFRS 16;



Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Cyber Attack

During the year, TfL was the subject of a sophisticated criminal cyber-attack resulting in some disruption to operations and data being exfiltrated from the IT estate. Investigations have identified certain customer data was accessed as part of this incident. There is also potential non-compliance with data protection regulations, which may result in regulatory scrutiny and penalties.

To mitigate the impact of the cyber-attack, Management implemented a number of actions, such as restricting access to systems, including the general ledger, over a period of approximately 4 weeks. There is a risk that alternative arrangements during the restricted period give rise to additional manual journal posting where there could be an increased risk of fraud or error.

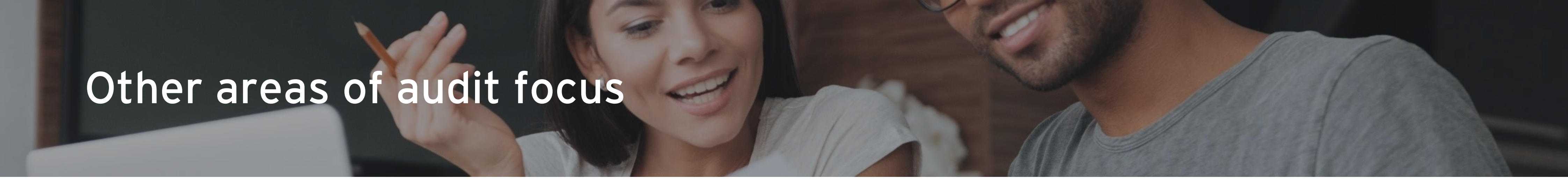
Our response: Key areas of challenge and professional judgement

Our audit work will include input from our EY Technology Risk colleagues. The specific procedures undertaken will include:

- Review of documentation related to the detection and identification of the incident;
- Evaluation of the involvement of third-party partners in the incident, including their impact and response;
- Analyse the impact of the cyberattack on business operations, data integrity, and financials;
- Additional walkthroughs covering the period where access was restricted and manual work-arounds where in place;
- Additional focus over manual journals posted during the period where access was restricted;
- Additional focus over manual journals posted after access was restored;
- Assessment of any changes made to cybersecurity controls as a result of the incident to prevent future occurrences; and
- Assessment of the impact of loss of customer data and impact to CDS(Central Database System) platform.

What else will we do?

We will also conduct additional procedures to evaluate adequacy of disclosures. Specifically, we will review whether management has appropriately disclosed principal risks, uncertainties. and mitigation strategies related to this incident in the narrative and strategic reports. This will include assessing the clarity and completeness of disclosures on the nature of the event, its impact, and the company's response measures.



Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

What else will we do?

Significant accounting estimates – complexity of provisions

TfL, TTL and subsidiaries recognise a number of provisions related to different liabilities including commercial disputes, compensation and contractual arrangements and property claims.

These provisions are subject to significant estimation and include uncertainty around negotiations.

We will:

- Critically assess management's assessment of judgements and estimates. Specifically, we:
  - Review the methods and/or models used to make the accounting estimates;
  - Review the assumption used to make the accounting estimates;
  - Review significant assumptions;
  - Review management's consideration of estimation uncertainty;
  - Review policies related to authorisation and segregation of duties;
  - Review risk of management override of control in relation to estimation process;
- Evaluate the accuracy and completeness of the estimation amount made by third party relating to insurances claims; and
- Perform unrecorded liabilities testing to identify any omitted **provisions.**

Where necessary, we would engage with our People Advisory Services colleagues to assess the appropriateness of material statutory provisions if relevant.

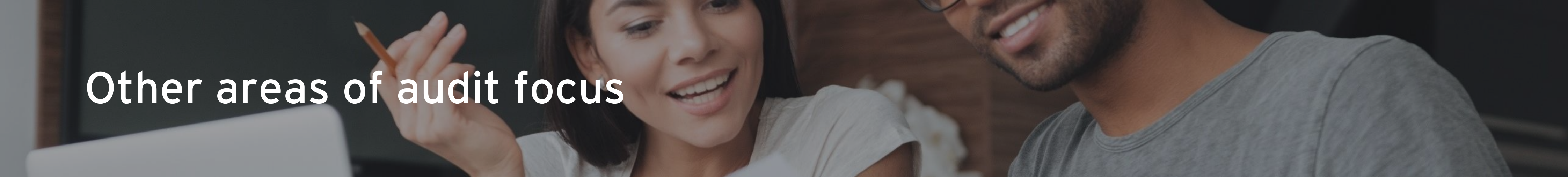
IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)

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 applied including the Incremental Borrowing Rate (IBR) applied. Historically we have reported an unadjusted audit difference in this area hence it remains an area of risk in FY25.

We will:

- Assess the appropriateness of the interest rate to be used in the calculation of lease liabilities;
- Assess the length of the leases - In particular with respect to station and track access;
- Engage EY specialists to evaluate the accuracy of the IBR rate used; and
- Re-assess differences identified in prior year.

An unadjusted audit difference was identified in the prior year audit which affects 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 IFRS16 accounting.



Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Complexity in relation to the valuation of hedging instruments

TfL holds a number of derivative instruments including FX forwards and interest rate swaps. Given the instruments are vanilla and relatively easy to recalculate the fair values, the risk has been designated as an inherent risk rather than a significant risk.

Our response: Key areas of challenge and professional judgement

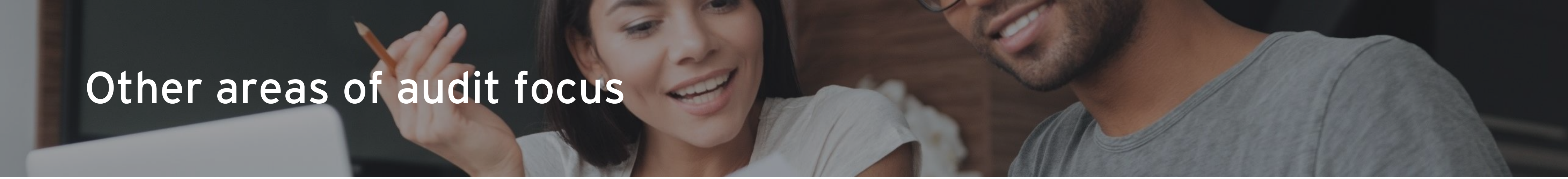
TfL is required to disclose the fair value of derivatives held and this is calculated using the Quantum system.

We will:

- Evaluate the accuracy of the fair value amount reported;
- Select a sample of derivatives and hedge relationships for substantive testing;
- Engage our EY Financial Accounting Advisory Services (FAAS) team assist us in recomputing an independent fair value as well as performing an independent assessment of hedge effectiveness.

What else will we do?

If there are any new agreements entered into we will obtain and inspect the agreements and corroborated these to management's Quantum system to ensure the accuracy of the recorded information inputted into the system as well as assess the existence and rights and obligations of each agreement.



Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Judgemental assumptions impacting TfL's pension position

The Local Authority Accounting Code of Practice and IAS19 require TfL to make extensive disclosures within its financial statements regarding its membership to the various scheme.

At 31 March 2024, TfL's reported a pension surplus in the balance sheet amounting to £2,269 million. The Group's balance sheet reflects the pension position from the 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. TfL uses the services of Barnett Waddingham and XPS Group (actuarial experts) to support them with the actuarial assumptions and disclosures supporting the IAS19 figures.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

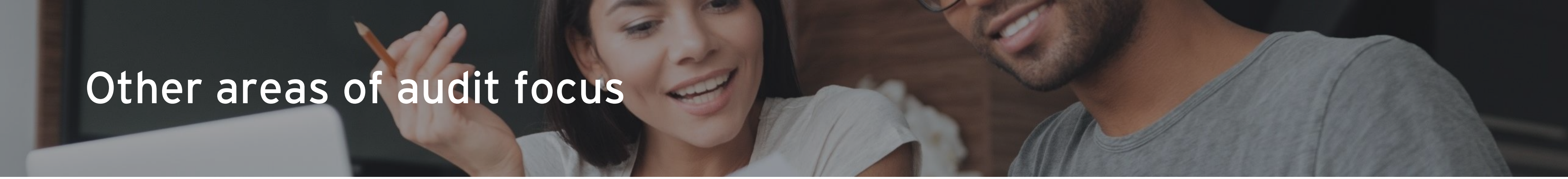
Our response: Key areas of challenge and professional judgement

We will :

- Liaise with the auditors of TfL Pension Fund to obtain assurances over the information supplied to the actuary in relation to Transport for London. We will meet with the auditor to discuss audit risks and findings and also obtain a copy of the audit findings reports to assess the impact to the schemes of TfL.
- For the LGPS and Crossrail schemes we shall perform substantive analytical procedures on the fair value of plan assets movement from the latest audited financial statement of the pension funds to 31 March 2024 using indices to form an expectation over the year-end asset position.
- Assess the work of the Pension Fund's actuary (Barnett Waddingham and XPS Group) including the assumptions they have used by engaging EY Pension Consulting team to review and assess the assumptions used.
- Review and test the accounting entries and disclosures made within the TfL's financial statements in relation to IAS19; and
- Engage EY Pensions Consulting team to carry out roll forward calculations related to the accounting numbers for the fund, to reconcile the year-end fair value of the schemes asset and actuarial valuation of deficit benefit obligation figures with those from the previous year disclosures. We shall also engage our EY Pensions Consulting team to perform a review of assumptions for all schemes.

What else will we do?

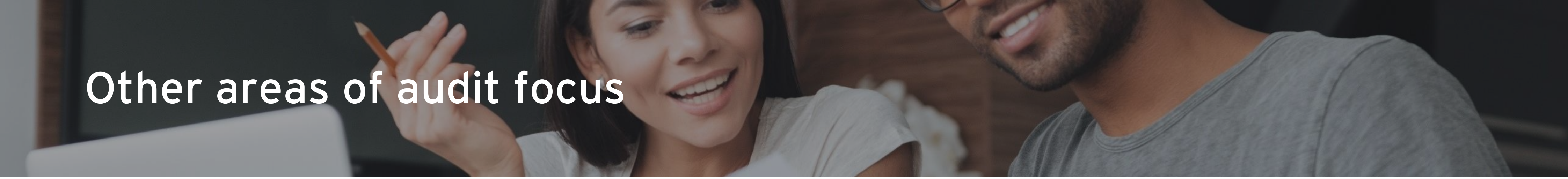
We will consider the impact on any ongoing related legal cases that may impact the schemes such as the Virgin Media Limited v NTL Pension Trustees II Limited case.



Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement	What else will we do?
Going Concern The going concern period to be considered is of at least 12 months from the approval of the financial statements. There are a number of uncertainties which could impact on the overall position including passenger demand, cost of living, consumer preferences and the availability of government funding. Management will need to ensure appropriate disclosure within the financial statements setting out the key risks and how these can be mitigated over the going concern period to ensure that services can continue to be delivered at current levels.	We will: ‣Consider the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, as well as the post year end period; ‣ Validate performance to date on efficiency savings programmes, to determine the potential risk of non-delivery of the savings assumed within the budget; ‣ Corroborate management's base case model for 2025/26 and 2026/27 through to the approved budget and challenge the key assumptions within the model; ‣ Challenge each material element of downside risk identified by management, and obtain supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations; ‣ Stress test the downside risk, using plausible downside parameters and calculate a "worst case" downside risk ‣ Consider the mitigations available to TfL to support the going concern position and assesses the headroom available against TfL's Authorised Prudential Borrowing Limit over the going concern period and considered the accessibility of borrowing from the Public Works Loans Board.	We will also assess the adequacy of the going concern disclosures relating to the ability to deliver current planned operational services within the financial statements.

Other areas of audit focus



What is the risk/area of focus, and the key judgements and estimates?

Accounting for the new Silvertown Tunnel Private Finance Initiative (PFI) Scheme

The £1bn Silvertown Tunnel PPP contract between TfL and Riverlinx CJV, a Construction Joint Venture, transfers construction, maintenance and operational risks to the private sector, with payment to Riverlinx tied to timely delivery and performance post-completion in 2025. TfL's annual payment of £65m, dependent on Riverlinx performance metrics, involves complex modelling and judgment which may be first recorded in the financial statements in 2024/25.

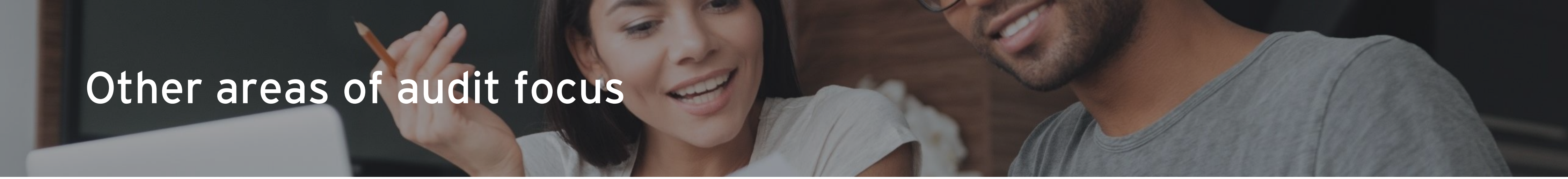
Our response: Key areas of challenge and professional judgement

We will:

- Obtain both the Operator's PFI model and the accounting model and agree that the inputs into these models are consistent with the underlying PFI contract;
- Engage our EY Financial Accounting Advisory Services (FAAS) team to review the accounting model to assess whether the model appropriately calculates the liabilities and accounting entries in accordance with the supporting operator's model and PFI contract;
- Agree that the disclosures within the financial statements are consistent with the accounting model (if applicable).

What else will we do?

We will also consider whether management has engaged any specialists in this area, and if so, evaluate the competence of the specialist, including consideration of their qualifications, expertise and independence.



Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

Climate Risk

In the context of the changing stakeholder expectations, and the increased regulatory focus, we have embedded a response to the risks presented by climate change into our audit procedures. FY24 was the first year in which it was mandatory for TTL to meet the Climate-related Financial Disclosures requirements spelled out by the FRC.

We note various physical and transition climate change risks set out in the Task Force on Climate-related Financial Disclosures ("TCFD") disclosures along with the impact on the financial statements. These include the impact of extreme weather events, as well as shifts in policy, technology, markets and public expectations.

We will focus on the completeness of these risks and whether our review of this "other information" identifies inconsistencies with the financial statements and any information we have obtained during the course of our audit.

Our response: Key areas of challenge and professional judgement

The specific procedures undertaken will include:

- Updating our assessment as to how the characteristics and undertakings of the Group may give rise to climate risks
- Understanding and assessing the Group's external climate-related commitments
- Understanding and evaluating the process and output relating to management's assessment of the impact of climate change risk
- Assessing changes to transitional and physical risks which may have an impact on the narrative reporting and audited financial information
- Evaluating the impact of climate change on the narrative reporting in the front half, including review of the mandatory Task Force on Climate-related Financial Disclosures ("TCFD") disclosures in light of the new requirements
- Assessing the impact of climate change on audited financial information and determining the reasonableness of disclosures
- Including key observations in our audit opinion.

What else will we do?

Our audit work will include input from our Climate Change and Sustainability Specialists (CCaSS), to support our work in this area.

03 Value for Money Risks

Value for Money

Transport for London's responsibilities for value for money

TfL is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

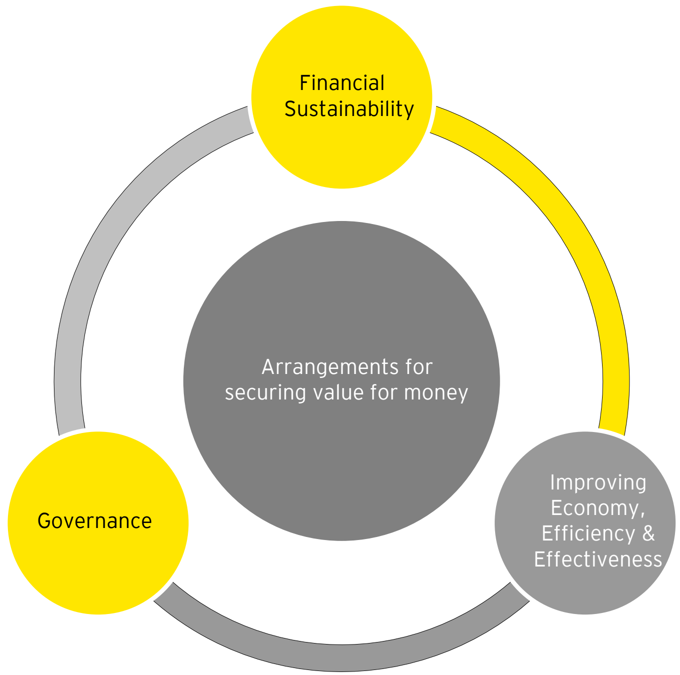
As part of the material published with the financial statements, TfL is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, TfL tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether TfL has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to TfL a commentary against specified reporting criteria (see below) on the arrangements TfL has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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



Value for Money (cont'd)

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of Transport for London's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering TfL's arrangements, we are required to consider:

- TfL's governance statement;
- Evidence that TfL's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness, and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – TfL to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on TfL's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

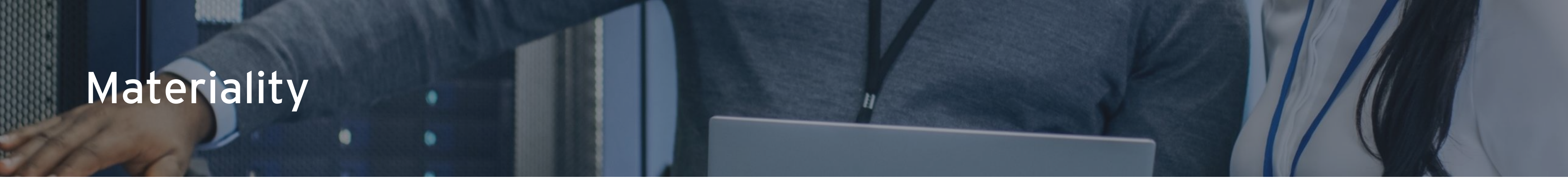
We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of TfL;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on TfL's reported performance;
- Whether the issue has been identified by TfL's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time TfL has had to respond to the issue.

For FY 2024/25, our work also covers assessment of TfL's data security and protection and their response to the recent Cyber breach that happened in the organisation. Our work will also cover the assessment of effectiveness of internal control within data security and protection and the management response to the breach.

Our work on risk assessment procedures for value for money is in progress and, similar to the previous years, we will communicate the VFM risks identified to the Audit & Assurance Committee during the course of the audit. Any significant weakness identified will be communicated as part of audit results report and annual auditor's report as part of the conclusion of the audit.

04 Audit materiality



Materiality

Group materiality

For planning purposes, Group materiality for 2025 has been set at £103m. This represents 1% of the TfL's 2024/25 budgeted total gross expenditure including capital expenditure. This basis has been used as these are the key focus of the funding arrangements in place and therefore of most interest to the users of the financial statements. It will be reassessed throughout the audit process.

Gross expenditure (including capital) on provision of services

£10,333m

Planning materiality
£103m

Performance materiality
£52m

Audit differences
£5m

We request that the Audit and Assurance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £52m which represents 50% of group materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Assurance Committee or are important from a qualitative perspective.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures: we will agree all disclosures back to source data.
- Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body’s audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Group has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Audit process and strategy (cont'd)

Objective and Scope of our Audit scoping

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across TfL has identified the following key processes where we will seek to rely on controls, both manual and IT:

- Fixed assets (Manual and IT)
- Revenue (Manual and IT)
- Purchase and payable (IT)
- Payroll (Manual and IT)

We will use the findings set out in the independent assurance report (ISAE 3402) for the following service organisation:

- Contactless Payment Future Ticketing ("CPAY")
- Pay As You Go ('PAYG')
- Rail Delivery Group Limited (RDG)

Analytics:
We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Assurance Committee.

Internal audit:
We will regularly meet with the Head of Internal Audit and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

06 Audit team

Audit team

Audit team leadership

The TfL group engagement team is led by Janet Dawson who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Audit team changes

The TTL audit report is signed by Katie Caredes and the Places for London audit report is signed by Matt Williams. Both Katie and Matt support Janet in forming her overall opinion on the Group financial statements.

Audit team structure:

Janet Dawson - *Audit Partner*

Katie Caredes - *Audit Partner*

Matt Williams - *Audit Partner*

Jacob McHugh - Senior Manager

Yao Xian Chen - Senior Manager

Technology Risk	EY Valuations	Derivatives, Hedge accounting &	EY PAS	EY Tax	CCASS	EY Pensions	EY FAA- PFI
Denise Fabb - Partner	Peter Codd - Director	Ian Timmerman - Senior Manager	Ian Thomas - Partner	Stuart Wilkinson - Partner	Doug Johnston - Partner	Chris Brown - Partner	Ahmed Zaheer - Director
Graham Campbell - Senior Manager	Bertie Foster-Ward - Director	Ian Timmerman - Senior Manager	Penny Crowne - Senior Manager	Ethan Alison - Senior Manager	Elizabeth Price- Senior Manager	Adun Obadeyi - Manager	

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Climate Risk Disclosure	EY Climate Change and Sustainability Services Team
PFI	EY Financial Accounting Advisory Services Team (FAAS)
Derivative disclosure & IBR calculations	EY Financial Accounting Advisory Services Team (FAAS)
Pensions disclosure	EY Pension Team
Tax disclosure	EY Tax
Valuation of Investment Properties	EY Valuations Team
Statutory Provision	EY People Advisory Services Tax
IT general and application controls testing	EY Technology Risk Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements

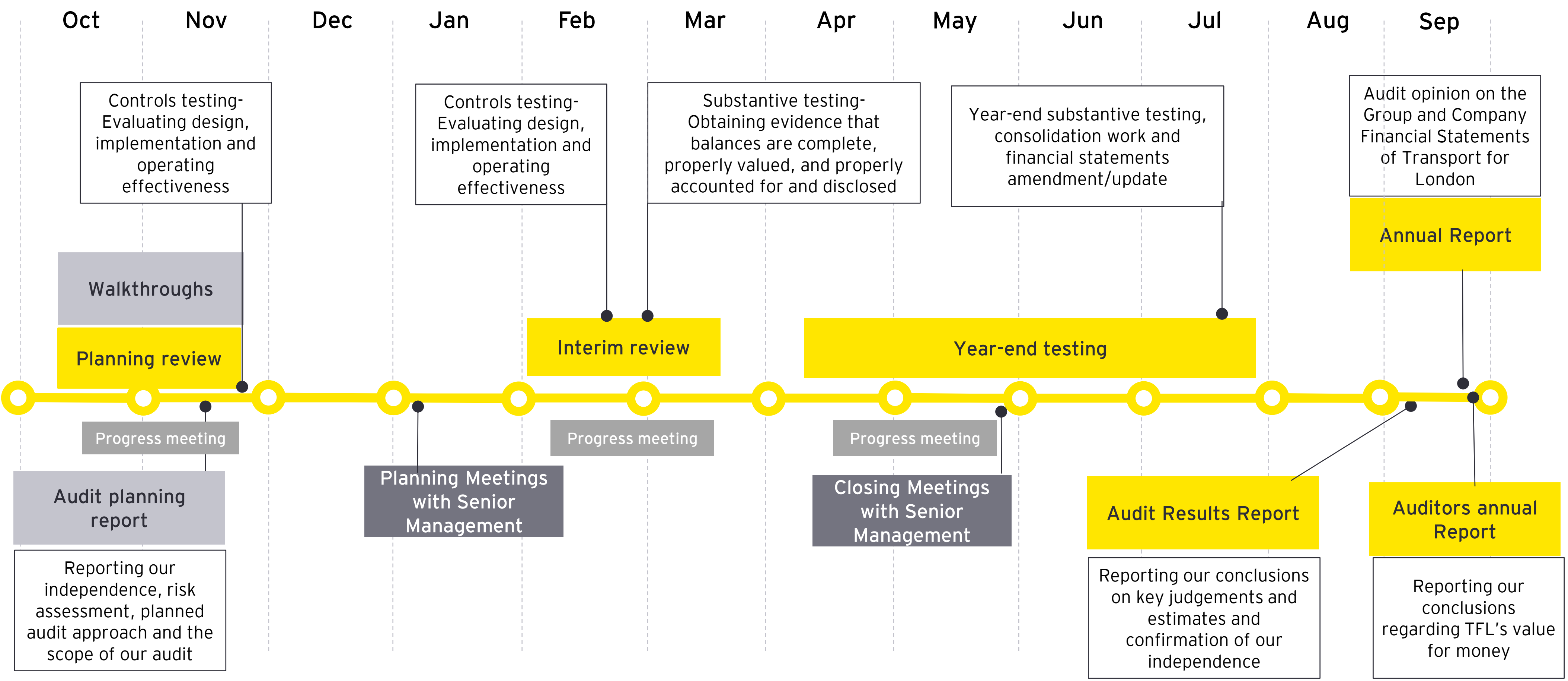
07 Audit timeline

Timetable of communication and deliverables

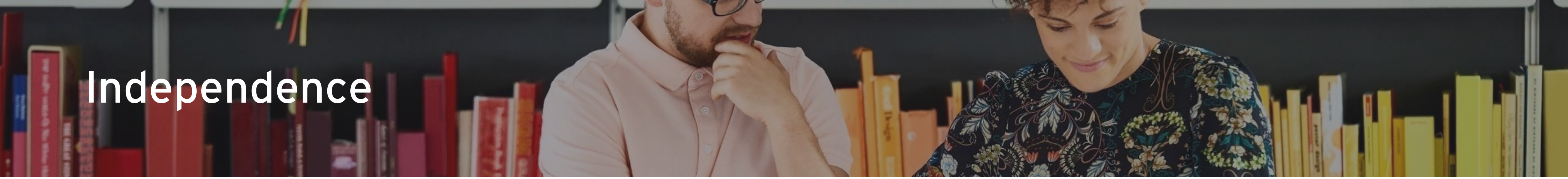
Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2024/25.

From time to time matters may arise that require immediate communication with the Audit and Assurance Committee and we will discuss them with the Audit and Assurance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



08 Independence



Independence

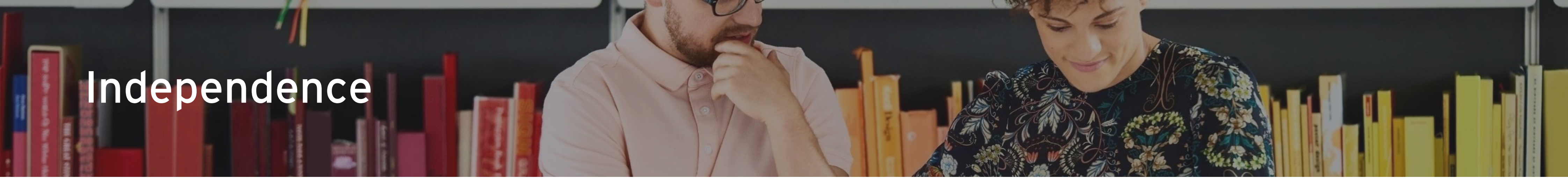
The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Non audit fees for the year to date amounted to £23,587. Pre-approval for the service for 2024/25 is requested in our letter "Independence matters 2024/25 – Period ending 31 October 2024" issued alongside this report.



Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, Katie Caredes and Matt Williams, your audit engagement partners, and the audit engagement team have not been compromised.

Self-interest threats

A self interest threat arises when EY has financial or other interests in TfL. Examples include where we have an investment in TfL; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 1%. No additional safeguards are required.

As a UK PIE entity the FRC has a very narrow list of permissible non-audit services. One of these permissible services is those required by law or regulation. The non-audit work we perform relates to returns to the Office of Rail and Road ('ORR') as per the requirements of Regulation 4 of the Railway Safety Levy Regulations 2006 and therefore is considerable a permissible service.

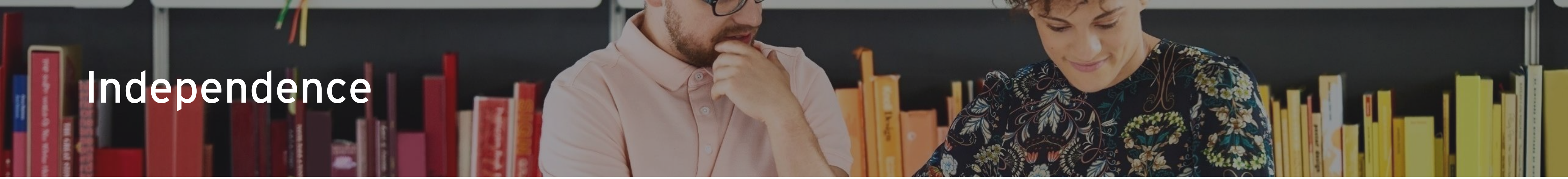
A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.



Independence

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of TfL. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. We will keep this area under review and update if there are any changes.

EY Transparency Report 2024

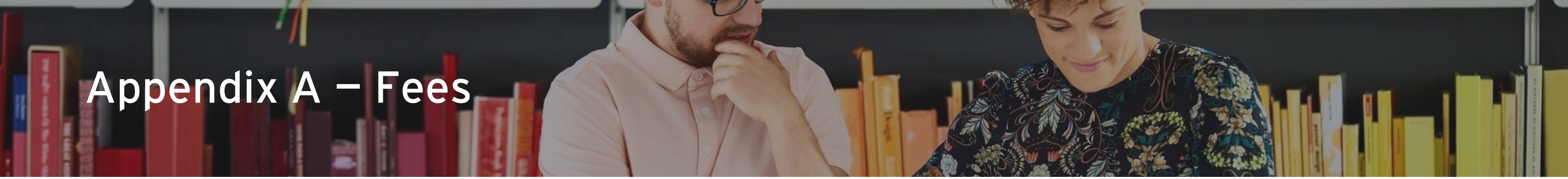
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

EY UK 2024 Transparency Report | EY - UK

Fees

Our required communication in relation to fees is communicated separately. Please refer to our letter “Independence matters 2024/25 – Period ending 31 October 2024” issued alongside this report.

09 Appendices



Appendix A — Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointment Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditor's work.

We write separately to you to set out the audit fees for TfL and Group and its subsidiaries.

Appendix B — Required communications with the Audit & Assurance Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report in November 2024
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit results report in September 2025 and Auditors Annual Report in November 2025.

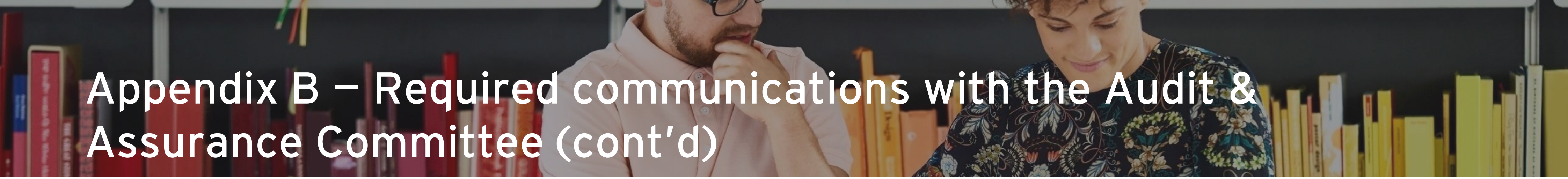
Appendix B – Required communications with the Audit & Assurance Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where

	Unless covered by other communications on planning matters or significant findings, this information shall include our views on:
	▶ Business risks relevant to financial reporting objectives, the application of materiality and the implications of our judgments in relation to these for the overall audit strategy, the audit plan and the evaluation of misstatements identified
	▶ The significant accounting policies (both individually and in aggregate)
	▶ Management's valuations of the entity's material assets and liabilities and the related disclosures provided by management
	▶ Internal control (without expressing an opinion and based solely on our audit procedures performed in the context of the financial statement audit), specifically on:
	  ▶ The effectiveness of the entity's system of internal control over financial reporting
	  ▶ Other risks arising from the entity's business model and the effectiveness of related internal controls
	▶ The robustness of the directors' assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity and its outcome, including the related disclosures in the annual report and accounts confirming that they have carried out such an assessment and describing those risks and explaining how they are being managed or mitigated (in accordance with Code provision 28)
	▶ About the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate (in accordance with Code provision 31), and their statements:
	  I. In the financial statements, as to whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, including any related disclosures identifying any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements (in accordance with Code provision 30)
	  II. In the annual report as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions (in accordance with Code provision 31);
	Any other matters identified in the course of the audit that we believe will be relevant to the board or the audit committee in the context of fulfilling their responsibilities referred to above.	

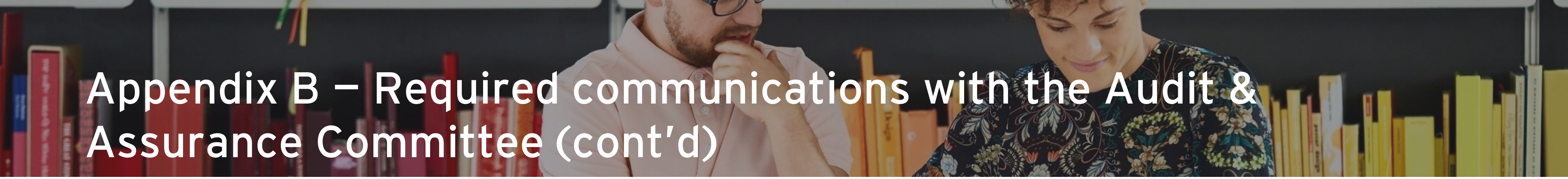
Appendix B — Required communications with the Audit & Assurance Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-EY firms or external specialists and confirmation of their independence ▶ The nature, frequency and extent of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant	Audit results report in September 2025



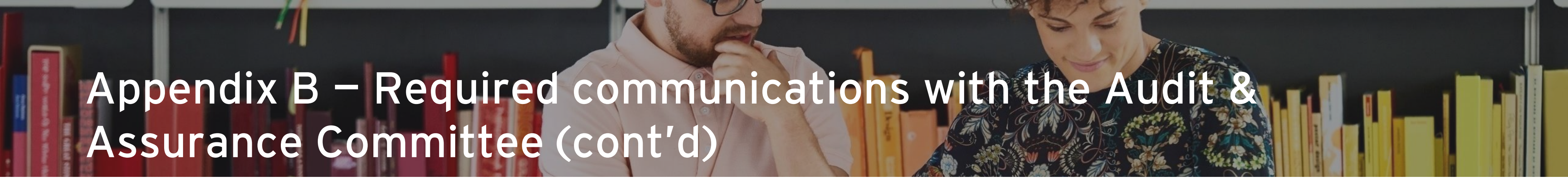
Appendix B — Required communications with the Audit & Assurance Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Audit results report in September 2025
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Audit results report in September 2025
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility ▶ Any other matters considered significant	Audit results report in September 2025



Appendix B — Required communications with the Audit & Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit results report in September 2025
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees	Audit results report in September 2025



Appendix B — Required communications with the Audit & Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report in September 2025
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit results report in September 2025
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	Audit results report in September 2025
Group audits	▶ An overview of the work to be performed at the components and the nature of the group audit team's planned involvement in the work to be performed by component teams ▶ Instances when the group audit team's review of the work of a component team gave rise to a concern about the quality of that team's work, and how the group audit team addressed the concern ▶ Any limitations on the ability to obtain sufficient appropriate audit evidence in support of the group audit opinion, for example, where the group audit team's access to people or information may have been restricted	Audit results report in September 2025

Appendix B — Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others where the fraud resulted in a material misstatement of the group financial statements ▶ Significant deficiencies identified in the group's system of internal control	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report in September 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report in November 2025
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report in September 2025
Fee Reporting	▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit results report in September 2025 and Auditor's Annual Report in November 2025
Value for Money	▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.	Audit results report in September 2025 and Auditor's Annual Report in November 2025

Appendix C — Additional audit information

Objective of our audit

Our objective is to form an opinion on Transport for London's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Assurance Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Transport for London's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Transport for London to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence

Appendix C — Additional audit information (cont'd)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	► Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ► Examining and reporting on the consistency of consolidation schedules or returns with Transport for London's audited financial statements for the relevant reporting period
Other procedures	► We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Building a better working world

EY exists to build a better working world, helping to create
long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

UKC-023026 (UK) 04/22. Creative UK.

ED None

ey.com