

# Audit and Assurance Committee



**Date:** 8 October 2015

**Item:** Annual Audit Letter

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## This paper will be considered in public

### 1 Summary

- 1.1 To inform the Committee of the status of Annual Audit Letter to be issued by KPMG.

### 2 Recommendation

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

### 3 Background

- 3.1 The Annual Audit Letter is prepared by KPMG and summarises their conclusions on the Annual Statement of Accounts and Value for Money. This letter is issued at the conclusion of the annual audit process and following certification of the Whole of Government Accounts return in late September/early October each year.

### 4 Update

- 4.1 KPMG identified no unadjusted audit differences and issued unqualified opinions on the TfL financial statements, including the value for money conclusion, and the Whole of Government Accounts return.
- 4.2 KPMG certified the Whole of Government Accounts return on 18 September 2015 and this has now been submitted to HM Treasury.

#### List of appendices to this report:

Appendix 1: KPMG's Annual Audit letter 2014/15

#### List of Background Papers:

None

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*cutting through complexity*

**Appendix 1**

# **Transport for London**

**Annual Audit  
Letter  
2014/15**

September 2015 DRAFT

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This report is addressed to Transport for London ('TfL') and has been prepared for the sole use of Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on Public Sector Audit Appointments Ltd (PSAA) website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Robert Brent, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

# Section one

## Executive Summary

### Purpose

This Annual Audit Letter ('the letter') summarises the key issues arising from our 2014/15 audit at Transport for London ('TfL'). Although this letter is addressed to the Board members of TfL, it is also intended to communicate key issues to external stakeholders, including members of the public. The letter will also be published on the PSAA website at [www.psa.co.uk](http://www.psa.co.uk). It is the responsibility of TfL to publish the letter on the TfL website at [www.tfl.gov.uk](http://www.tfl.gov.uk). We have already reported all the issues in this letter to you throughout and a list of all reports we have issued is provided in Appendix 1.

### Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice ('the Code') which requires us to review and report on your:

- **Use of resources** – that is whether you have made proper arrangements for securing economy, efficiency and effectiveness ('value for money') in your use of resources. Our work in this area is summarised in section 2;
- **Financial Statements** – that is the Financial Statements and the Annual Governance Statement. This work is summarised in section 2; and
- **Whole of Government Accounts ('WGA')** – we issue an assurance statement to the National Audit Office in respect of TfL's financial information in our capacity of component auditor for the WGA. This work is summarised in section 2.

### Key Messages

The key areas which we draw your attention to are:

- We issued unqualified audit opinions on the TfL Financial Statements and on its use of resources on 10 July 2015;
- As in prior years, the final pension valuations were received from the Actuaries late in the process. The final differences were not material to the overall pension deficit, and we agreed with management that no adjustment is necessary. The impact of this would be to decrease the pension deficit by £31 million (1%) to £2,863.7 million.
- We issued an unqualified opinion on the WGA on 18 September 2015; and
- We issued our certificate confirming that we have completed the audit of the accounts of TfL in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission on 28 September 2015.

### Acknowledgements

We could like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

## Section two

# Headlines

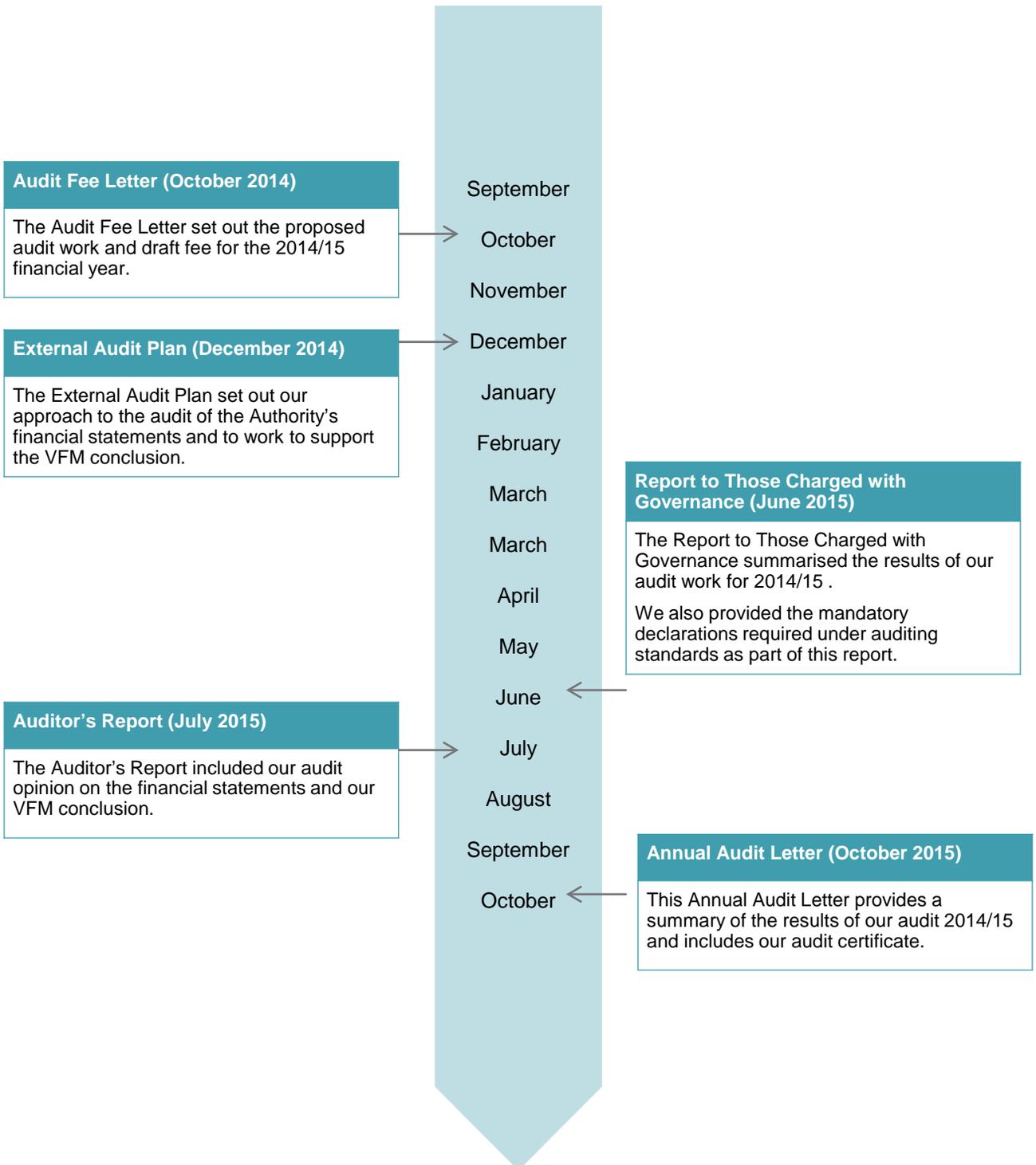
This section summarises our findings in all key elements of our statutory work in the financial year 2014/15.

<b>VFM conclusion</b>	<p>We issued an unqualified value for money ('VFM') conclusion for 2014/15 on 10 July 2015.</p> <p>This means we are satisfied that you have proper arrangements for securing economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 10 July 2015.</p> <p>This means that we believe the financial statements give a true and fair view of the financial position of TfL (the Corporation and Group) and of its expenditure and income for the year.</p>
<b>Financial Statements audit</b>	<p>We reported to TfL's Audit and Assurance Committee on 16 June 2015 in respect of the progress made in the audit of the financial statements. In all respects, we were able to complete our work as planned.</p>
<b>Audit adjustments</b>	<p>As in prior years, the final pension valuations were received from the Actuaries late in the process. The final differences were not material to the overall pension deficit, and we agreed with management that no adjustment is necessary. The impact of this would be to decrease the pension deficit by £31 million (1%) to £2,863.7 million.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which TfL prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that TfL's pack was materially consistent with the audited financial statements.</p>
<b>Performance improvements observations</b>	<p>We did not raise any new PIOs as a result of our work.</p>
<b>Certificate</b>	<p>We issued our certificate on 28 September 2015 and this confirms that we have concluded the audit for 2014/15.</p>
<b>Audit fee</b>	<p>Our fee for the Corporation and Group (not including the underlying subsidiaries) audit for 2014/15 was £207,900 excluding VAT. This is in line with the planned audit fee. This fee does not include underlying subsidiary entities.</p> <p>Further detail is contained in Appendix 2.</p>

# Appendices

## Appendix 1: Reports issued

We set out below the reports issued during the year.



# Appendices

## Appendix 2: Audit fees

We have summarised below the outturn against 2014/15 planned external audit fee.

### External audit

Our final fee for the 2014/15 audit of TfL (excluding subsidiaries) was £207,900. This fee was in line with our planned fee.

### Other services

We also provided non-audit services as follows:

- £68,725 - Fee in respect of assistance in reviewing and modelling alternative funding structures; and
- £4,100 – fee in relation to P11D solutions.

This work was not related to our responsibilities under Audit Commission's *Code of Audit Practice*.

# Appendices

## Appendix 3: Certificate

We set out below the audit certification for Transport for London:

### **Certificate**

In our report dated 10 July 2015, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Transport for London in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robert Brent  
for and on behalf of KPMG LLP, Appointed Auditor  
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28 September 2015