

**Date:** 13 July 2017

**Item:** EY Letter on Independence and Objectivity

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**This paper will be considered in public**

**1 Summary**

1.1 To report to the Audit and Assurance Committee on the independence and objectivity of EY.

**2 Recommendation**

2.1 **The Committee is asked to note the letter.**

**3 Background**

3.1 EY is required to report annually to the Audit and Assurance Committee on their independence and objectivity, taking into account guidance including the National Audit Office's Code of Audit Practice.

3.2 EY have reviewed their procedures and their letter is attached for the Committee's review.

**List of appendices to this report:**

Appendix 1: Letter from EY

**List of Background Papers:**

None

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## Appendix 1

Audit and Assurance Committee  
Company Secretariat  
Transport for London  
Windsor House  
42-50 Victoria Street  
London  
SW1H 0TL

23 June 2017  
Direct line: 01189 281502  
Email: KHavers@uk.ey.com

Dear Sirs

### Independence and objectivity – Transport for London 2016/17

In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate. We are also mindful of all stakeholders, including the Public Sector Audit Appointments Ltd (PSAA) and the National Audit Office (NAO). For further details of specific independence requirements for PSAA appointments, refer to the PSAA Terms of Appointment at <http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>.

Appendix 1 to this letter highlights the significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. It also contains reference to the key policies and processes in place within EY for maintaining objectivity and independence. We consider these throughout our audit and 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.

For 2016/17, we have undertaken a number of non-audit assignments, as reported in our summary of non audit fees. In each case, prior to commencement of the assignment, we have considered the impact of these assignments on our independence and have obtained pre approval from management and the PSAA. In compliance with Ethical Standard 4, we confirm that no members of our audit engagement team, including those from other service lines, have objectives or are rewarded in relation to sales of non-audit services to you. We therefore confirm that there are no self-interest or self-review threats associated with this non-audit work.

Overall we confirm that as of 23 June 2017, in our professional judgment, EY is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit engagement team have not been compromised.

Yours faithfully



Karl Havers  
Partner  
For and on behalf of Ernst & Young LLP

## Appendix 1

### *Self-interest threats*

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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.

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.

### *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.

### *Management threats*

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

### *Other threats*

Other threats, such as advocacy, familiarity or intimidation, may arise.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved. 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 APB Ethical Standards, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

### Policies and procedures in place

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 for the year ended 1 July 2016 and can be found at:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>