

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: KPMG LETTER ON INDEPENDENCE AND OBJECTIVITY

DATE: 15 JUNE 2011

1 PURPOSE AND DECISION REQUIRED

- 1.1 To report to the Audit Committee on the independence and objectivity of KPMG. The Audit Committee is requested to note the attached letter.

2 BACKGROUND

- 2.1 KPMG is required to report annually to the Audit Committee on their independence and objectivity, taking into account guidance including the Audit Commission's Code of Audit Practice and Standing Guidance for Auditors.
- 2.2 KPMG have reviewed their procedures and their letter is attached for the Audit Committee's review.

3 RECOMMENDATION

- 3.1 The Audit Committee is recommended to NOTE the letter.

4 CONTACT

- 4.1 Contact: Stephen Critchley, Chief Finance Officer
Number: 020 7126 4871
Email: StephenCritchley@tfl.gov.uk

KPMG LLP
Canary Wharf
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 3232
DX 38050 Blackfriars
wayne.southwood@kpmg.co.uk

Audit Committee
Transport for London
Company Secretariat
14th Floor
Windsor House
42-50 Victoria Street
London SW1H 0TL

Our ref rt/588

6 June 2011

Dear Sirs

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services, and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the audit team. This letter is intended to comply with this requirement.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Audit Commission's Code of Audit Practice (the Code), the detailed provisions of the Statement of Independence included within the Audit Commission's Annual Letter of Guidance and Standing Guidance (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

We have considered the fees paid to us by Transport for London and its related entities for professional services provided by us during the reporting period. The fees paid to us are set out in a separate letter dated 6 June 2011. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications



- Internal accountability
- Risk management
- Independent reviews.

Auditor Declaration

In relation to the audit of the financial statements of Transport for London for the financial year ended 31 March 2011, we confirm that there were no relationships between KPMG LLP and Transport for London, its Board members and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Yours faithfully

Wayne Southwood
Partner, KPMG LLP