

Date: 8 October 2014

Item 5: Annual Audit Letter 2013/14

This paper will be considered in public

1 Summary

1.1 To inform the Audit and Assurance Committee of the Annual Audit Letter, as prepared by KPMG.

2 Recommendation

2.1 **The Committee is asked to note this report.**

3 Background

1.2 The Annual Audit Letter prepared by KPMG summarises their conclusions on the Annual Statement of Accounts and Value for Money. KPMG's letter is attached for the Committee's review.

1.3 KPMG identified no unadjusted audit differences and issued unqualified opinions on the TfL financial statements and the Whole of Government Accounts return.

1.4 Final fees for the 2013/14 audit were £222,800, as planned, compared with £224,200 for 2012/13.

List of appendices to this report:

Appendix 1: KPMG's Annual Audit Letter

List of Background Papers:

None

Contact Officer: Andrew Pollins, Interim Chief Finance Officer
Number: 020 3054 8941
Email: AndrewPollins@tfl.gov.uk



cutting through complexity

Appendix 1

Transport for London

**Annual Audit
Letter
2013/14**

September 2014

Contents

The contacts at KPMG in connection with this report are:

Robert Brent

Partner

Tel: +44 (0)20 7311 4736

robert.brent@kpmg.co.uk

Rebecca Pett

Senior Manager

Tel: +44 (0)20 7311 4031

rebecca.pett@kpmg.co.uk

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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 the Audit Commission's website at www.auditcommission.gov.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, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Section one

Executive Summary

Purpose

This Annual Audit Letter ('the letter') summarises the key issues arising from our 2013/14 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 Audit Commission website at www.audit-commission.gov.uk. It is the responsibility of TfL to publish the letter on the TfL website at 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 11 July 2014;
- There were no unadjusted audit differences as a result of our 2013/14 Financial Statement Audit;
- We issued an unqualified opinion on the WGA on 19 September 2014; 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 22 September. This is set out in Appendix 3.

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

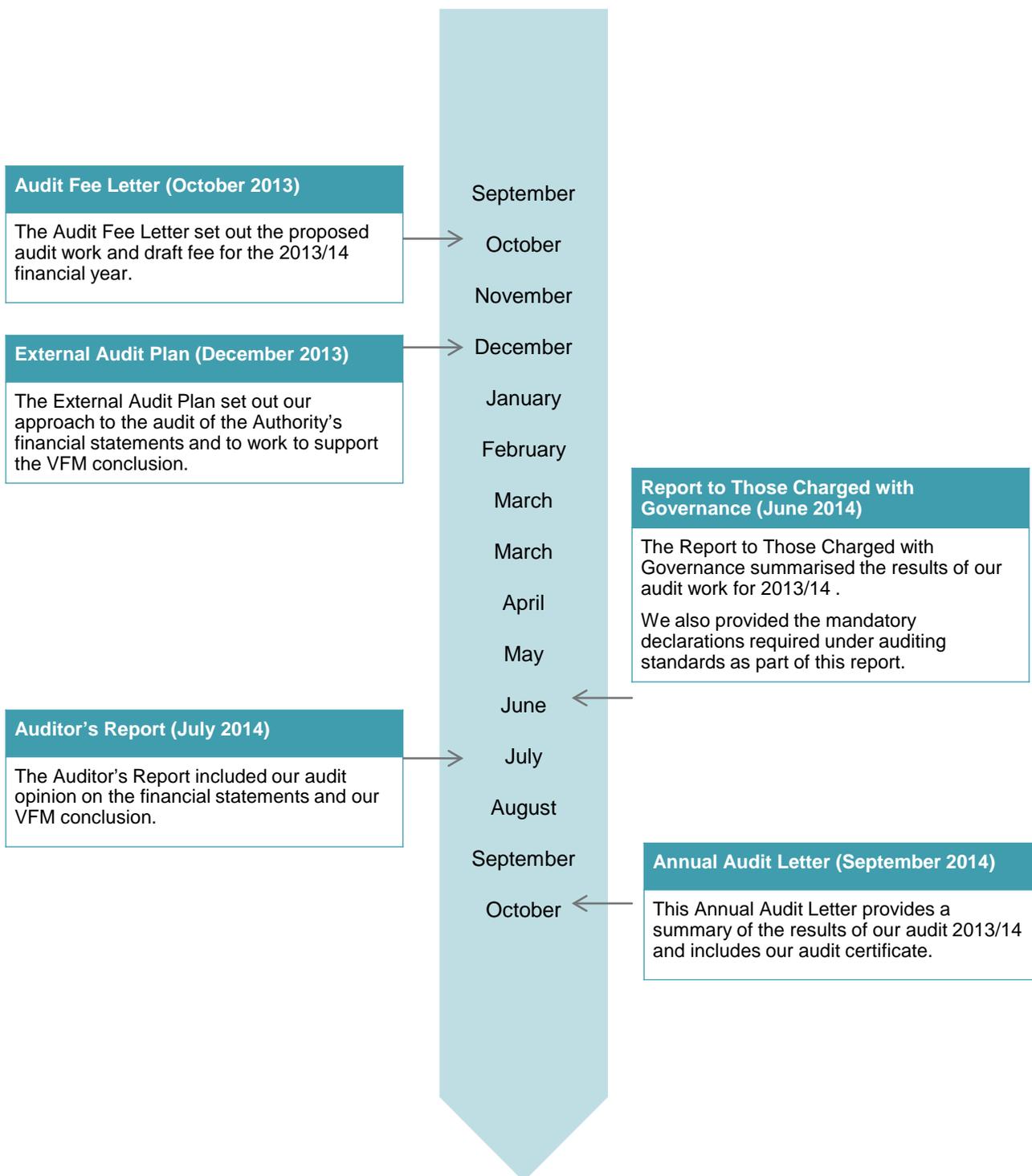
This section summarises our findings in all key elements of our statutory work in the financial year 2013/14.

VFM conclusion	<p>We issued an unqualified value for money ('VFM') conclusion for 2013/14 on 11 July 2014.</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>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 11 July 2014.</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>
Financial Statements audit	<p>We reported to TfL's Audit and Assurance Committee on 18 June 2014 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>
Audit adjustments	<p>There were no unadjusted audit differences as a result of our work. We noted only minor disclosure amendments, all of which were updated by management.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<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>
Performance improvements observations	<p>We followed up the performance improvement observations raised in last years document. We are please to report that good progress has been made in implementing these and we did not identify any new control recommendations as a result of our audit.</p>
Certificate	<p>We issued our certificate on [22] September 2014 and this confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for the Corporation and Group (not including the underlying subsidiaries) audit for 2013/14 was £222,800 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 3.</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 2013/14 planned external audit fee.

External audit

Our final fee for the 2013/14 audit of TfL (excluding subsidiaries) was £222,800. This fee was in line with our planned fee and compares to an actual fee of £224,200 for 2012/13.

Other services

We performed non statutory audit work in the course of the year to a value of £38,000, contracted through the Corporation, as follows:

- £5,000 in respect of a potential bond issue; and
- £33,000 in respect of a bond issue.

We also provided non-audit services as follows:

- £3,950 in respect of Payroll Solutions Software Licence;
- £370 in respect of the increased P11D Solutions 2013 licence by 1,000 forms; and
- £4,000 in respect of employment tax advice.

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

Appendices

Appendix 3: Certification

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

Certificate

In our report dated 11 July 2014, 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
Chartered Accountants
15 Canada Square
London
E14 5GL
22 September 2014