

Date: 6 March 2013

Item 5: Revised Audit Materiality

This paper will be considered in public

1 Summary

- 1.1 To present to the Audit and Assurance Committee a proposed change to KPMG's plan for the audit of the financial statements of Transport for London, Transport Trading Limited and its subsidiaries for the year ending 31 March 2013.

2 Recommendation

- 2.1 **The Committee is recommended to note this paper.**

3 Background

- 3.1 It has been necessary for KPMG to revise downwards their level of materiality as a result of the lower materiality limit imposed by the auditor of the GLA, Ernst & Young, due to TfL's inclusion in GLA Group accounts. No additional fee is currently proposed by KPMG as a result of this change.

List of appendices to this report:

Financial Statements Audit Plan 2012-13 Update from KPMG

List of Background Papers:

None

Contact Officer: David Goldstone
Number: 020 7126 4871
Email: DavidGoldstone@tfl.gov.uk



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Transport for London

Financial Statements Audit Plan 2012-13 - Update

February 2013

**The contacts at KPMG
in connection with this
report are:**

Wayne Southwood
Partner

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

Robert Brent
Partner

Tel: +44 (0)20 7311 4736
robert.brent@kpmg.co.uk

This document supplements our audit plan presented to the Audit and Assurance Committee on 4 October 2012.

Subsequent to the presentation of our audit plan for the year ending 31 March 2013, we were informed by the auditors of the Greater London Authority of the materiality to be used for Transport for London. As a component of the GLA we need to comply with the materiality set as the audit of TfL will be used to support the audit opinion on the consolidated accounts of the GLA.

This document provides a revised materiality for the audit for the year ending 31 March 2013.

In summary we design our audit procedures to detect errors at a level of precision which was previously set at £150 million. This has been reset at £75 million. This does not impact the work planned for many of the subsidiaries within the Transport Trading Limited group as the entities are audited to a lower level of materiality based on the statutory structure adopted.

Disclaimer

This report is addressed to Transport for London and has been prepared for the sole use of the Transport for London Group (TfL) and the TTL Group (TTL). 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.

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.

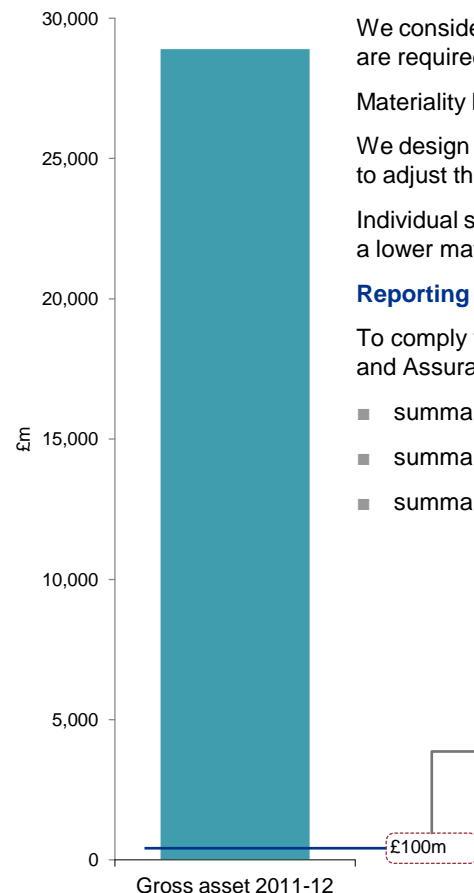
If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Wayne Southwood, who is the Engagement Partner to TfL, telephone 0207 311 3232, email wayne.southwood@kpmg.co.uk, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email 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 the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Revised Materiality (TfL Group)

We reported to the Audit and Assurance Committee on 4 October 2012 our materiality for the TfL 2012-13 Group audit.

Subsequent to this communication, we were informed by Ernst & Young, the group auditors for the Greater London Authority, of the materiality levels they require for group reporting which has required a revision.

Gross assets



Note: Materiality may be updated on receipt on the draft financial statements and will be less for individual entities.

Source: 2011-12 financial statements.

Determining materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures. We are required to set materiality less than group reporting for the Greater London Authority ('GLA').

Materiality has been set at £100 million, which is 0.35% of gross assets.

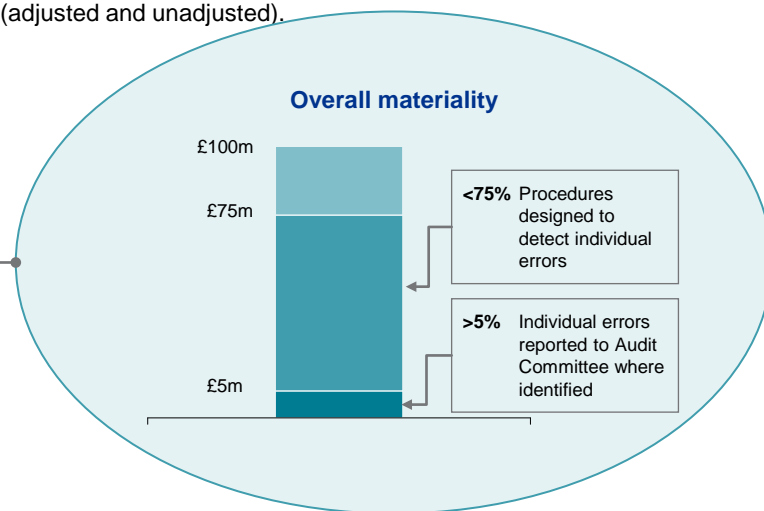
We design our procedures to detect errors at a lower level of precision, i.e. £75 million; we have some flexibility to adjust this level downwards.

Individual subsidiary entities, including the Transport Trading Limited Group and its subsidiaries, are audited to a lower materiality appropriate to their lower gross asset balances or income and expenditures.

Reporting to Audit and Assurance Committee

To comply with auditing standards, the following three types of audit differences will be presented to the Audit and Assurance Committee:

- summary of adjusted audit differences.
- summary of unadjusted audit differences.
- summary of disclosure differences (adjusted and unadjusted).





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