

Date: 18 June 2014

Item 8: Annual Audit Fee 2014/15

This paper will be considered in public

1 Summary

- 1.1 To inform the Audit and Assurance Committee of the Annual Audit Fee proposed by KPMG for the audit of the Corporation and Group Financial statements for the year ending 31 March 2015.

2 Recommendation

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

3 Background

- 3.1 A letter from KPMG to Members of the Committee is attached. This letter deals with fees for the Corporation and Group audits only, and does not include fees for the audit of subsidiary company financial statements. This is in line with Audit Commission requirements.
- 3.2 The proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2015 is £207,900. This represents a reduction of £14,900 compared with that for the previous year.
- 3.3 The timing of issuance of the annual audit fee letter is dictated by the Audit Commission, and it has therefore been issued in advance of audit planning. It is possible therefore that the fee may be revised following the planning process.

List of appendices to this report:

Appendix 1 – KPMG’s annual audit fee letter

List of Background Papers:

None

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Our ref

22 April 2014

Dear David

Annual audit fee 2014/15

I am writing to confirm the audit work and fee that we propose for the 2014/15 financial year at Transport for London (TfL). Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2013/14 the audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit fee for the audit of the Corporation and the TfL Group for 2014/15 is £207,900 (2013/14 £222,800). All fees are exclusive of VAT. The fee is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will discuss this with the Audit and Assurance Committee, outlining the reasons why the fee needs to change.

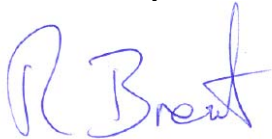
We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of TfL. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely



Robert Brent
Partner

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2014/15 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Assurance Committee.

Planned output	Indicative date
External audit plan	December 2014
Report to those charged with governance (ISA260 report)	June 2015
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2015
Opinion on Whole of Government Accounts return	September 2015
Annual audit letter	October 2015