

Date: 14 June 2016

Item: Annual Audit Fee 2016/17

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 Ernst and Young (EY) for the audit of the Corporation and Group Financial statements for the year ending 31 March 2017.

2 Recommendation

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

3 Background

- 3.1 A letter from EY to TfL 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 Public Sector Audit Appointments Ltd requirements.
- 3.2 The proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2017 is £155,925, unchanged from the previous year.
- 3.3 The timing of issuance of the annual audit fee letter is dictated by Public Sector Audit Appointments Ltd, 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 – EY’s annual audit fee letter

List of Background Papers:

None

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Appendix 1

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Transport for London
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London
SW1H 0T

18 April 2016

Ref: KH/GB/TfL/AFL
Direct line: 01189 281502
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Dear Ian

Annual Audit 2016/17 – Transport for London Corporation

The Public Sector Audit Appointments Ltd (PSAA) terms of appointment requires us to issue a letter setting out our proposed fees for 2016/17 by 30 April 2016. We are therefore writing to confirm the audit that we propose to undertake for the 2016/17 financial year at Transport for London Corporation. Note, the audit fees for Transport Trading Limited and subsidiaries are subject to a separate engagement letter and are not included in this fee letter.

Indicative audit fee

For the 2016/17 financial year PSAA has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

For Transport for London Corporation our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- There is an effective control environment, including the operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;

- Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £
Total Code audit fee	155,925	155,925
Non-audit work	TBC**	TBC*

* Final fees for the non-audit work planned for 2015/16 will be confirmed at the June 2016 Audit and Assurance Committee.

** Non audit work planned for 2016/17 is to be confirmed and therefore the fees for this work are still to be determined and will be agreed separately at a later point.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £38,981.25.

Audit plan

Our plan is expected to be issued in December 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Assurance Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully



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

cc. Keith Williams, Chair of the Audit and Assurance Committee
Sarah Bradley, Head of Group Financial Accounting