

Date: 16 June 2015

**Item: KPMG Report on Non-Audit Fees for Six Months ended
31 March 2015**

This paper will be considered in public

1 Summary

- 1.1 To report to the Audit and Assurance Committee on fees billed by KPMG for non-audit services.

2 Recommendation

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

3 Background

- 3.1 Under TfL's policy on external audit services KPMG is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. KPMG's report is attached for the Committee's review.
- 3.2 The specialist review of Bombardier contractual arrangements was discussed with the Chair of the Committee in advance of KPMG bidding for the assignment. The total fee for this assignment was £169,442, of which £143,122 was reported in the year to 31 March 2014. No other individual non-audit assignment for the Group exceeded the maximum amount allowable without prior agreement of the Chair of the Audit and Assurance Committee. All potential assignments were however discussed with the Chief Finance Officer in advance, and the process set out in the Policy on Audit and Non-audit Services was followed.
- 3.3 The Audit Commission (now replaced by Public Sector Audit Appointments Ltd) gave approval for KPMG to undertake the alternative funding structures assignment. No other non-audit assignments required their approval.

List of appendices to this report:

Appendix 1 – letter from KPMG

List of Background Papers:

None

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

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

Tel +44 (0) 20 7311 4736
DX 38050 Blackfriars
Robert.brent@kpmg.co.uk

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

Our ref **rb/588**

8 June 2015

Dear Sirs

Non-Audit Fees – 12 months to 31 March 2015

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, on a six monthly basis, a report on fees for all services. Appendix 1 to this letter includes a summary of our audit fees, non-statutory audit fees (column A) and non-audit fees (column B) during the period 1 April 2014 to 31 March 2015.

Yours faithfully



Robert Brent

Partner, KPMG LLP

Enc. Summary of Fees



Appendix 1

SUMMARY OF FEES – 1 APRIL 2014 TO 31 March 2015

Entity	Statutory Audit Fee 2014/15 £	Non- Statutory Audit Fee 2014/15 (A) £	Non-Audit Fees 2014/15 (B) £	Comments
TfL Corporation	£207,900			Proposed statutory audit fee 2014/15 (including Use of resources and Whole of Government Accounts (WGA))
			£68,725	Fee in respect of assistance in reviewing and modelling alternative funding structures
			£4,100	Fee in respect of P11D solutions
TfL Corporation subtotal	£207,900	£0	£72,825	Maximum allowable without prior agreement of the Audit Commission (now Public Sector Audit Appointments Ltd) for non-audit fees billed to TfL Corporation in any financial year is the higher of £18,000 or 20% of the total statutory audit fee for TfL Corporation only, £41,580
Transport Trading Limited	£925,000			Proposed fee in respect TTL Group subsidiaries
		£38,500		Fee in respect of PAYG ISAE 3402 reporting 2013/14
		£6,000		Fee in respect of ABTA return (VCS)
		£15,900		Fee in respect of RSP Clearance agreement reporting 2013/14
			£26,320	Final fee in respect of specialist review of the Bombardier contractual arrangements. £143,122 has been previously reported, giving a total fee of £169,442
		£6,500		Fee in respect of Agreed Upon Procedures over Department of Energy and Climate Change (DECC) grant claim in relation to LBSL



Appendix 1

Entity	Statutory Audit Fee 2014/15 £	Non- Statutory Audit Fee 2014/15 (A) £	Non-Audit Fees 2014/15 (B) £	Comments
			£115,400	Fee in respect of CBS outdoor review
			£44,940	Fee in relation to analysis of bus operator financial accounts
			£83,060	Fee in respect of capital allowance work completed until 31 March 2015
		£31,044		Fee in respect of 2013 Franchise Performance Assurance Engagement (DLR)
		£21,038		Fee in respect of Tramlink pricing variation agreed upon procedures
London Transport Museum	£30,000			Proposed fee for 2014/15 – audited by KPMG’s Charities Unit.
London Transport Insurance (Guernsey)	£16,500			Proposed Fee for 2014/15 - audited by KPMG’s Channel Islands practice
TTL sub total	£971,500	£118,982	£269,720	
TOTAL	£1,179,400	£118,982	£342,545	

Notes

(1) All fees shown are net of VAT and expenses.



Appendix 1

(2) Statutory audit services are, for TfL, services required to meet the Code of Audit Practice requirements and, for TTL and its subsidiaries, services required to enable the external auditor to issue an audit opinion on the annual accounts in accordance with the Companies Act. KPMG pays a proportion of the total statutory audit fees billed to TfL Corporation to the Public Sector Audit Appointments Ltd (previously the Audit Commission) to support the PSAA's services to audited bodies.

(3) Non-statutory audit work (A) is audit work performed outside the definition of statutory audit services, such as work on grant claims and returns where an audit certificate is required as a condition of the grant scheme. Under TfL's policy, external auditors may be engaged to carry out non-statutory audit services without restriction as to the fees that may be charged for such services.

(4) Non-audit work (B) represents work other than statutory and non-statutory audit services. The overall maximum allowable without prior agreement of the PSAA on non-audit fees billed to TfL Corporation for each financial year is the higher of (i) 20% of the statutory audit fee for the TfL Corporation only and (ii) £18,000. For the TfL Group approval is needed for any item exceeding the greater of £150,000 and 10% of the Group fee.