

Audit and Assurance Committee

Date: 16 June 2015

Item: Annual Audit Fee 2015/16



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 LLP (EY) for the audit of the Corporation and Group Financial statements for the year ending 31 March 2016.

2 Recommendation

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

3 Background

- 3.1 In December 2014 the Audit Commission notified TfL that they would be appointing EY as TfL's auditor for two years commencing with the audit of 2015/16 and with the potential for this appointment to be extended by up to a further three years. This is therefore the first year of EY's appointment.
- 3.2 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 (previously the Audit Commission) requirements.
- 3.3 The proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2016 is £155,925. This represents a reduction of £51,975 compared with that for the previous year. The reduction in fee follows a reduction in scale rates set by the Audit Commission prior to its closure. Scale rates were reduced by 25 per cent following the tendering of audit contracts by the Commission in 2014.
- 3.4 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

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

Andrew Pollins
Chief Finance Officer
Transport for London
Windsor House
42-50 Victoria Street
London
SW1H 0NL

23 April 2015

Ref:

Direct line: 01223 394645

Email: PKing@uk.ey.com

Dear Andrew

Transport for London Corporation

Annual Audit Fees 2015/16

Standing Guidance for auditors requires us to issue a letter setting out our proposed fees for 2015/16 by 30 April. We are therefore writing to confirm the audit work that we propose to undertake for the 2015/16 financial year at Transport for London Corporation.

Our 2015/16 audit is our first for you and the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

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, applying from 2015/16 audits.

The audit fee covers the:

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

For the 2015/16 financial year the Audit Commission set the scale fee for each audited body prior to its closure. The scale fee is based on the 2014/15 fee reduced by 25% following the tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015/16 scale 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;
- We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- The financial statements will be available to us in line with the agreed timetable;
- 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.

For Transport for London Corporation, the fee is set at the scale fee and reflects our assumption that relevant factors, including audit risk and complexity, are not significantly different from those used by the Audit Commission in establishing this figure.

Summary of fees

	Indicative fee 2015/16 £
Total Code audit fee	155,925

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 fee will be billed in 4 quarterly instalments of £38,981.25 commencing in July 2015.

Audit plan

Our plan is expected to be issued in October 2015. 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 & Assurance Committee.

Audit team

The key members of the audit team for the 2015/16 financial year are:

Karl Havers Partner	KHavers@uk.ey.com	Tel: 0118 928150
Neil Harris Director	NHarris2@uk.ey.com	Tel: 07967 624335
Philip King Senior Manager	PKing@uk.ey.com	Tel: 07771 975205

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
Ernst & Young LLP
United Kingdom

cc. Sarah Bradley – Head of Group Financial Accounting
Keith Williams - Chair of the Audit & Assurance Committee

