

Date: 11 October 2017

Item: Appointment of External Auditors

This paper will be considered in public

1 Summary

- 1.1 This report updates the Committee on the appointment of external auditors for TfL and its subsidiaries.

2 Recommendation

- 2.1 **The Committee is asked to note the proposal from Public Sector Audit Appointments Limited to appoint Ernst and Young LLP (EY) as auditor of TfL for a period of five years, commencing with the audit of the 2018/19 financial year. The Committee is asked to further note the recommendation to appoint EY LLP as auditor of Transport Trading Limited and certain subsidiaries for the same period.**

3 Background

- 3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015, the Secretary of State Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for the 2017/18 financial year.
- 3.2 TfL's current external auditor is Ernst and Young LLP, who were originally appointed to undertake the audit for the financial years 2015/16 and 2016/17. This contract has since been extended by one year to 2017/18 by Public Sector Audit Appointments Limited (PSAA), the successor body to the Audit Commission. When the transitional arrangements come to an end on 31 March 2018, TfL will be required to appoint its own auditor.

4 National Scheme for Auditor Appointments

- 4.1 TfL opted into the national scheme for auditor appointments, operated by PSAA, earlier this year. The PSAA has been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that PSAA will make auditor

appointments to such bodies where they choose to opt in to the national auditor appointment arrangements. Under the national scheme, audit appointments will be for five years starting with the year ending 31 March 2019.

- 4.2 PSAA has concluded its procurement process and awarded audit contracts. Following the award of the contracts PSAA consulted TfL on the proposed reappointment of EY as auditor. We have responded that we are content with this proposal. PSAA will confirm the audit appointment by 31 December 2017, as required under the Local Audit and Accountability Act.

5 Appointment of Auditors to TTL

- 5.1 Over the summer we have run a competitive tender for the audit of Transport Trading Limited. This process has now concluded and EY was the successful bidder.

6 Financial Implications

- 6.1 The annual audit fee for TfL Group and Corporation for the year ending 31 March 2018 has been set at £155,925. This excludes the fee for the audit of TTL and its subsidiaries, currently £740,000 per annum. It is expected that the cost of the TfL audit will reduce under the new contract as PSAA has secured savings over the current arrangements of approximately 18 per cent. In addition, by opting in to the national scheme TfL has avoided the cost of establishing and maintaining an auditor appointment panel. The separate procurement process for the TTL audit has secured reductions in the TTL audit fee of approximately 15 per cent.

List of appendices to this report:

None

List of Background Papers:

None

Contact Officer: Sarah Bradley, Group Financial Controller and acting Statutory Chief Finance Officer
Number: 020 3054 7748
Email: SarahBradley@tfl.gov.uk