

**Date:** 13 July 2017

**Item:** Annual Audit Fee 2017/18

---

## **This paper will be considered in public**

### **1 Summary**

- 1.1 To inform the Committee of the Annual Audit Fee proposed by EY for the audit of the Corporation and Group Financial statements for the year ending 31 March 2018.

### **2 Recommendation**

- 2.1 **The Committee is asked to note the paper.**

### **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 2018 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

Contact Officer: Ian Nunn, Chief Finance Officer  
Number: 020 3054 8941  
Email: [lanNunn@tfl.gov.uk](mailto:lanNunn@tfl.gov.uk)

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

19 April 2017

Direct line: 0118 928 1502

Email: khavers@uk.ey.com

Dear Ian

## Annual Audit Fees 2017/18

We are writing to confirm the audit work that we propose to undertake for the 2017/18 financial year at Transport for London.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

### Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

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
- Whole of Government accounts.

For Transport for London 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;
- 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;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; 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 2016/17, our audit planning process for 2017/18 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 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Transport for London fee	155,925	155,925	175,925*

\*Variation to the scale fee of £20,000 is subject to PSAA approval, this remains outstanding.

We will communicate separately the fees for the audit of TTL and other non-audit work to the Audit and Assurance Committee.

#### Billing

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

#### Audit plan

Our plan is expected to be issued in autumn 2017. 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 Financial 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 2017/18 financial year are:

Karl Havers

Partner	khavers@uk.ey.com	Tel: 0118 928 1502
---------	-------------------	--------------------

---

Caroline Mulley

Executive Director	cmulley@uk.ey.com	Tel: 0191 247 2624
--------------------	-------------------	--------------------

---

Adam Swain

Senior Manager	aswain@uk.ey.com	Tel: 0118 928 1001
----------------	------------------	--------------------

---

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 sincerely



Karl Havers

Partner

For and on behalf of Ernst & Young LLP

cc. Anne McMeel, Chair of the Audit and Assurance Committee  
Sarah Bradley, Group Financial Controller