

Date: 14 March 2017

Item: EY Report on Non-Audit Fees for Five Months ended 28 February 2017

This paper will be considered in public

1 Summary

- 1.1 To report to the Audit and Assurance Committee on fees billed by EY for non-audit services and to seek approval of the fees estimate for the non-audit assignments relating to risk management.

2 Recommendation

- 2.1 The Committee is asked to note the report and to confirm its agreement to the proposed fees for the non-audit work relating to risk management.**

3 Background

- 3.1 Under TfL's policy on external audit services, EY is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. This report therefore represents an additional report, but is being presented at this time as there are a number of items of additional work that have been or are to be undertaken.
- 3.2 There are two items of audit related services that have been completed. Under the policy on external audit services these are defined as work traditionally provided by external auditors, usually resulting in a certification or specific opinion. The two items relate to regulatory returns and certifying financial figures to be included in those returns. These two items individually and in aggregate are below the level at which approval of the Chair of the Audit and Assurance Committee is required.
- 3.3 There is a further item of audit related services where the fee is not yet agreed. This relates to the issuance of a comfort letter by EY as TfL's auditors in respect of TfL's £5bn Euro Medium Term Loan Note Programme. The comfort letter is a requirement for the update of the Programme and is a routine item of work. The fee will be in the range of £40k to £60k depending on the timing of issuing the comfort letter. This item of work is also below the level at which approval of the Chair is required.
- 3.4 There is a single item of non-audit work during the period, relating to the project to assist TfL in strengthening its risk management framework to ensure it is aligned with leading practices in this area. The assignment is split into two elements. The fee for the "as is" review of the TTL risk function is estimated at £106,898 and that for the review of the TfL and TTL risk appetite framework is estimated at £108,841.

- 3.5 The estimated fee for each element of work on risk management is above the threshold for approval by the Chief Finance Officer and under the policy the CFO is required to consult with the Chair in advance of the work commencing.
- 3.6 The Committee has previously approved the appointment of EY to provide these services but the fee estimate was not available at that time. Now that the fee estimate is available it is appropriate to share this with the Committee.

List of appendices to this report:

Appendix 1 – letter from EY

List of Background Papers:

None

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INVESTOR IN PEOPLE

Appendix 1

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Xx March 2017

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Dear Sirs

Audit fees – 5 months to 28 February 2017

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 and non-audit fees during the period 1 October 2016 to 28 February 2017.

Yours faithfully

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

| | TfL Corporation £ | Transport Trading Limited £ | Comments |
|--------------------------------------|----------------------|-----------------------------------|--|
| Statutory audit fee 2016/17 – TfL* | 155,925 | | Statutory audit fee 2016/17 services required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts) |
| Statutory audit fee 2016/17– TTL* | | 740,000 | Statutory audit fee in respect TTL Group subsidiaries for services required to enable EY to issue an audit opinion on the annual accounts in accordance with the Companies Act. |
| Additional 2015/16 audit fee – TfL** | 20,000 | | A scale fee variation for our review of Internal Audit's work on the Garden Bridge procurement; and our Value for Money (VFM) conclusion work due to the elevation of our work on the VFM sub-criteria 'procuring supplies and services effectively to support the delivery of strategic priorities' to a significant VFM risk based on the contract and financial risks TfL is currently exposed to in light of past decisions on ATC Signalling and Northern Line Extension projects as well as the Garden Bridge procurement. |
| Additional 2015/16 audit fee – TTL | | 63,230 | A fee variation for the additional audit work required to perform our IT controls review. |
| Agreed upon procedures | | 5,000 | Reporting on the annual ABTA return for Victoria Coach Station |
| Agreed upon procedures | | 11,500 | Procedures performed at London Underground Limited, Tramtrack Croydon Limited and Docklands Light Railway Limited to assist with the requirements of regulation 4 of the Railway Safety Levy Regulations 2006 |

**Statutory audit fees for the full year included for context.*

***This is subject to PSAA approval*

In addition, we are providing services in respect of two matters for which pre approval has been received from the Audit and Assurance Committee and the PSAA:

- ▶ TfL Risk function 'as is' review - £106,898; and
- ▶ TfL and TTL Risk Appetite Framework Review - £108,841

To date fees totalling £35,250 have been issued in respect of this assignment.

Finally we have been engaged to provide a comfort letter in respect of the £5,000,000,000 Euro Medium Term Loan Note Programme issue. Fees are currently being discussed and are expected to be in the range of £45,000 to £60,000, depending on how frequently we have to update our work in the lead up to the issue. We will provide a verbal update on 14 March 2017.