

## Audit and Assurance Committee



**Date:** 7 June 2018

**Item:** Annual Audit Fee 2018/19

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### **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 & Young LLP (EY) for the audit of the Corporation and Group Financial statements for the year ending 31 March 2019.

#### **2 Recommendation**

- 2.1 **The Committee is asked to note this 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 2019 is £120,062, a reduction of 23 per cent 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

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24 April 2018

Ref: TFL 1819 FL

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Dear Simon

### Annual Audit 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Transport for London.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 9 March 2017 were confirmed, following consultation, in December 2017.

#### Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

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
- Appropriate quality of documentation is provided by Transport for London and within the agreed timetable;
- 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; 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 2017/18, our audit planning process for 2018/19 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 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	120,062	155,925	155,925

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 audit fee will be billed in 4 quarterly instalments of £30,015.50

### Audit plan

Our plan is expected to be issued in September 2018. 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 Group Financial Controller and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Assurance Committee.

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 as your Engagement Lead. 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. Sarah Bradley, Group Financial Controller  
Anne McMeel, Chair of the Audit and Assurance Committee