

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: KPMG REPORT ON NON-AUDIT FEES FOR SIX MONTHS ENDED 30 SEPTEMBER 2011

DATE: 28 NOVEMBER 2011

1 PURPOSE

1.1 To report to the Committee on fees billed by KPMG for non-audit services.

2 BACKGROUND

2.1 Under TfL's policy on external audit services, KPMG is required to report to the Audit Committee every six months on fees billed for non-audit services. KPMG's report is attached for the Committee's review.

2.2 The fee figures in brackets in the attached report represent amounts that have been proposed to TfL management but have not yet been agreed. The fee for the audit of Transport Trading Limited will be submitted to a subsequent meeting of the Committee for approval once it has been agreed by management.

3 RECOMMENDATION

3.1 The Committee is recommended to NOTE the report.

4 CONTACT

4.1 Contact: Stephen Critchley, Chief Finance Officer
Number: 020 7126 4871
Email: StephenCritchley@tfl.gov.uk



KPMG LLP
Canary Wharf
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 3232
DX 38050 Blackfriars
wayne.southwood@kpmg.co.uk

Audit Committee
Transport for London
Company Secretariat
14th Floor
Windsor House
42-50 Victoria Street
London SW1H 0TL

Our ref rt/588

10 November 2011

Dear Sirs

Non-Audit Fees –Six months to 30 September 2011

Under Transport for London's policy on external audit services we are required to provide to the Audit 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, non-statutory audit fees (column A) and non-audit fees (column B) during the period 1 April 2011 to 30 September 2011.

Yours faithfully

Wayne Southwood
Partner, KPMG LLP

Enc. Summary of Fees



Appendix 1

SUMMARY OF FEES – 1 APRIL 2011 TO 30 SEPTEMBER 2011

Entity	Statutory Audit Fee 2011/12 £	Non- Statutory Audit Fee 2011/12 (A) £	Non-Audit Fees 2011/12 (B) £	Comments
TfL Corporation	£301,000			Fee in respect of Corporation audit 2011/12
	£43,570			Proposed fee in respect of Use of Resources 2011/12
	£5,500			Fee in respect of WGA 2011/12
			£2,800	Fee in respect of VAT helpline from May 2011 to July 2011
		£26,630		Fee in relation to the MTN programme update: August 2011
			£5,582	Fee in relation to advising on multi stream outsourcing best practice
			£3,310	Fee in respect of Payroll Solutions Software Licence
		[£9,960]		Fee estimate in relation to accounting issues regarding debt restructuring (this estimate is currently being discussed with management)
TfL Corporation subtotal	£350,070	[36,590]	£11,692	Maximum allowable without prior agreement of the Audit Commission for non-audit fees billed to TfL Corporation in any financial year is the higher of £30,000 or 20% of the total statutory audit fee for TfL Corporation only, £70,014
Transport Trading Limited	[£1,264,000]			Fee estimate in respect TTL Group subsidiaries.
		£62,700		Fee in respect of the PAYG Assurance framework scoping. First phase of work billed during 2010/11 was £10,000.



Appendix 1

Entity	Statutory Audit Fee 2011/12 £	Non- Statutory Audit Fee 2011/12 (A) £	Non-Audit Fees 2011/12 (B) £	Comments
		£13,000		Review of future ticketing agreement between TTL and Cubic. Note, total engagement value was £26,000. However, the contract required us to charge the whole amount to Cubic and we understand Cubic will be invoicing TfL for half of this amount.
		£17,775		Non statutory audit work in relation to the Rail Settlement Plan
		£30,000		Auditing of operational KPIs
		£5,000		Audit of CHIC grant claim at London Bus Services Limited
		£2,600		Franchise fee report to DLR
London Transport Museum	[£30,900]			Fee estimate for 2011/12 - audited by KPMG's Charities Unit. Includes £2,000 project management fee. Needs to be discussed and agreed with management.
London Transport Insurance (Guernsey)	[£14,885]			Fee estimate for 2011/12 - audited by KPMG's Channel Islands practice. Needs to be discussed and agreed with management.
	£6,000			Fee for additional audit work in relation to IFRS conversion in 2010/11. This has not previously been reported to the Audit Committee
TTL sub total	[£1,315,785]	£131,075	£0	
TOTAL	[£1,665,855]	[£167,665]	[£11,692]	Maximum allowable without prior agreement of TfL's Audit Committee is 20% of the total group statutory audit fee – [£333,171]



Appendix 1

Notes

(1) All fees shown are net of VAT.

(2) Statutory audit services are, for TfL, services required to meet the Audit Commission's Code of Audit Practice requirements and, for TTL and its subsidiaries, services required to enable the external auditor to issue an audit opinion on the annual accounts in accordance with the Companies Act. KPMG pays a proportion of the total statutory audit fees billed to TfL Corporation to the Audit Commission to support the Audit Commission's services to audited bodies.

(3) Non-statutory audit work (A) is audit work performed outside the definition of statutory audit services, such as work on grant claims and returns where an audit certificate is required as a condition of the grant scheme. Under TfL's policy, external auditors may be engaged to carry out non-statutory audit services without restriction as to the fees that may be charged for such services.

(4) Non-audit work (B) represents work other than statutory and non-statutory audit services. The overall maximum allowable without prior agreement of the Audit Commission on non-audit fees billed to TfL Corporation for each financial year is the higher of (i) 20% of the statutory audit fee for the TfL Corporation only and (ii) £30,000. The overall maximum non-audit fees for the TfL group allowable without prior agreement of TfL's Audit Committee is 20% of the statutory audit fee for the TfL group.

(5) KPMG also received £28,625 of funding from TfL in May 2011 in respect of the 'New Way to Work' initiative. This scheme was provided by TfL for large employment sites across the capital.