

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: TRANSPORT TRADING LIMITED GROUP - ANNUAL AUDIT FEE
2011/12

DATE: 7 MARCH 2012

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of this paper is to inform the Committee of the Annual Audit Fee proposed by KPMG for the audit of the financial statements of Transport Trading Limited (TTL) and its subsidiary companies for the year ending 31 March 2012. A schedule from KPMG is attached. The fee for the Corporation and Group audits was presented to the Audit Committee at its meeting on 2 March 2011.

2 BACKGROUND

- 2.1 The proposed fee for the audit of the TTL Group for the year ended 31 March 2012 is £1,235,000. This represents an increase of £41,000 compared with that for the previous year.
- 2.2 There is also no increase for the impact of inflation, as this has been more than covered by efficiencies identified by KPMG and passed on to TfL.
- 2.3 There is an increase in fee proposed for Crossrail from £75,000 to £106,000 reflecting the increase in activity.
- 2.4 A fee of £25,000 is proposed to cover the audit of the four new companies acquired as part of the City Airport and Woolwich Arsenal transaction in November 2011.

3 RECOMMENDATION

3.1 The Audit Committee is asked to NOTE the fee proposals.

4 CONTACT

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We set out here our proposed audit fees for the financial statements audits of the Group

As in the prior year we have targeted efficiencies across all entities and are committed to deliver substantial cost savings over the current and coming periods

The only scope change relates to Crossrail where the increasing contracting and project activities necessitates additional audit procedures to be embedded within our approach

- Set out below is our proposed fee for 2011-2012 covering the Corporation, TfL and the newly acquired Ware & Care companies

£'000			
TfL audit fee	2009 – 2010	20110- 2011	2011-2012
Total for TfL Corporation and Group	384	360	350
Total for TTL Group	1,374*	1,194	1,210
New – Ware & Care	-	-	25
Total for TfL	1,758	1,544	1,585
One off IFRS transition fee	Nil	280	Nil

* Includes comparative Tubelines fee for 2009/2010

- The largest element is TTL and the movement year on year is set out as follows:

£'000			
TTL – fee	2010/2011	2011/2012	Comments
Opening core fee	1,374	1,194	
IFRS impact	52	-	Impact from ongoing increased disclosures. No new standards applicable in 2011/12
Scope change	-	31	Increased activity at Crossrail necessitating additional audit procedures
Net efficiencies	(232)	(15)	Cumulative efficiencies of £328k; targeted to offset inflation and scope increases
Closing core fee	1,194	1,210	

- Key highlights for the attention of the Audit Committee:
 - We are committed to delivering cost efficiencies and over a two year period will deliver savings of £328k. Our commitment will continue in future years with a cumulative target of £0.5m over a 4/5 year period.
 - The net efficiencies outlined above represent gross efficiency targeted amounting to £328k over the two year period, offset by the impact of inflation (£81k: capped at 3% for both years).
 - There is forecast to be increased Treasury activities this current year and included in our team are Treasury specialists. We shall absorb the costs of this audit assist work, adding to the efficiencies already identified and targeted.
 - We believe the investment by the Group on the IFRS conversion will benefit the ongoing process and we have not included any further incremental fees for IFRS in this current year.
 - The activities at Crossrail have increased this current year with increased spend and contracting, and advancements on numerous projects (eg new stations). Our planned audit approach has responded accordingly and will involve increased audit work (eg the contract samples and the volume of project audits will increase and we will undertake site visits). In addition we will include our forensic specialists to assist with auditing the procurement process, and our IT team will review the automated systems and controls.