

Date: 15 June 2012

**Item 7: KPMG Report on Non-Audit Fees for Six Months ended
31 March 2012**

This paper will be considered in public

1 Summary

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

2 Recommendation

2.1 **The Committee is recommended to note this report.**

3 Background

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

List of appendices to this report:

Appendix 1 – letter from KPMG

List of Background Papers:

None

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



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

Our ref rt/588

7 June 2012

Dear Sirs

Non-Audit Fees –Twelve months to 31 March 2012

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, non-statutory audit fees (column A) and non-audit fees (column B) during the period 1 April 2011 to 31 March 2012.

Yours faithfully

Wayne Southwood
Partner, KPMG LLP

Enc. Summary of Fees

SUMMARY OF FEES – 1 APRIL 2011 TO 31 MARCH 2012

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
	£3,080			Fee for responding to an elector's enquiries
			£2,800	Fee in respect of VAT helpline from May 2011 to July 2011
			£2,500	Fee in respect of VAT helpline from August 2011 to March 2012
		£26,630		Fee in relation to the MTN programme update: August 2011
		£42,775		Fee in relation to the MTN programme update: February and March 2012
			£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
TfL Corporation subtotal	£353,150	£79,365	£14,192	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, £70,630

Appendix 1

Entity	Statutory Audit Fee 2011/12 £	Non-Statutory Audit Fee 2011/12 (A) £	Non-Audit Fees 2011/12 (B) £	Comments
Transport Trading Limited	£1,235,000			Fee 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.
		£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 TTL 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	£28,800			Fee for 2011/12 - audited by KPMG's Charities Unit. Includes £2,000 project management fee.
London Transport Insurance (Guernsey)	£15,000			Fee for 2011/12 - audited by KPMG's Channel Islands practice.
	£6,000			Fee for audit work in relation to IFRS conversion in 2010/11. This has not previously been reported to the Audit and Assurance Committee
TTL sub total	£1,284,800	£131,075	£0	
TOTAL	£1,637,950	£210,440	£14,192	Maximum allowable without prior agreement of TTL's Audit and Assurance Committee is 20% of the total group statutory audit fee - £327,590

Notes

- (1) All fees shown are net of VAT.
- (2) Statutory audit services are, for TTL, 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 TTL 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 TTL'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 TTL Corporation for each financial year is the higher of (i) 20% of the statutory audit fee for the TTL Corporation only and (ii) £30,000. The overall maximum non-audit fees for the TTL group allowable without prior agreement of TTL's Audit and Assurance Committee is 20% of the statutory audit fee for the TTL group.
- (5) As previously reported, KPMG also received £28,625 of funding from TTL in May 2011 in respect of the 'New Way to Work' initiative. This scheme was provided by TTL for large employment sites across the capital.
- (6) KPMG charged a fee of £10,405 to the GLA in relation to completing group audit instructions issued by Audit Commission in respect of their audit of the GLA. This relates to the 2010/11 audit and has not previously been reported to the Audit and Assurance Committee.
- (7) KPMG carried out a 'Funding and Financing' review in relation to the Northern Line Extension. Total fees raised to TTL in the period to 31 March 2012 were £90,000 although these costs were subsequently passed to a 3rd party.