

TRANSPORT FOR LONDON

AUDIT COMMITTEE

**SUBJECT: KPMG REPORT ON NON-AUDIT FEES FOR THE YEAR ENDED
31 MARCH 2009**

DATE: 10 JUNE 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 To report to the Audit Committee on fees billed by KPMG for non-audit services. The Audit Committee is requested to note this report..

2 BACKGROUND

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

3 RECOMMENDATION

- 3.1 The Audit Committee is asked to NOTE the report.

4 CONTACT

- 4.1 Contact: Sarah Bradley, Head of Group Financial Accounting
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Audit Committee
Transport for London
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1 June 2009

Dear Sirs

We are required, as your external auditors, to disclose annually and in writing to those charged with governance all the relationships between our audit firm and its related entities and Transport for London (TfL) that may reasonably be thought to impact on KPMG LLP's independence, and the related safeguards that are in place. Where there are any issues arising, we are required to provide written confirmation that, in our professional judgement, our independence has been preserved and objectivity has not been impaired.

In determining which relationships and related safeguards to disclose, we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Audit Commission's Code of Audit Practice and Standing Guidance for Auditors in relation to independence and objectivity.

We have considered the fees paid to us by TfL and its subsidiary entities for professional services provided by us in the period from 1 April 2008 to 31 March 2009. The fees paid to us for professional services provided by us in the period were £1,797,238 for audit services, £169,697 for non-statutory audit services, and £87,030 for non-audit services.

We are satisfied that our general procedures support our independence and objectivity in relation to non-audit services.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG partners, directors and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the professional practice rules of the Institute of Chartered Accountants in England and Wales, by whom we are regulated for audit purposes. As a result we have underlying safeguards in place to maintain independence through:

1 June 2009

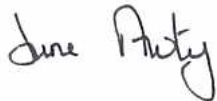
- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews

Please inform me if you would like to discuss any of these aspects of our procedures in more detail.

Auditor Declaration

In relation to the audit of the financial statements for TfL Group and Corporation for the financial year ended 31 March 2009, I am able to confirm that the Commission's requirements in relation to independence and objectivity have been complied with.

Yours faithfully



June Awty
Partner, KPMG LLP



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Our ref rt/588

4 June 2009

Dear Sirs

Non-Audit Fees – 12 Months to 31 March 2009

Under TfL's policy on external audit services we are required to provide to the Audit Committee, on a six monthly basis, a report on fees we have billed for non-audit services. We tabled our last report at the meeting of the Audit Committee on TBC, when we provided a summary of non-audit fees for the twelve months to 31 March 2009. Appendix 1 to this letter includes a summary of our audit fees, non-statutory audit fees (A) and non-audit fees (B) billed during the period 1 April 2008 to 31 March 2009.

Yours faithfully

June Awty
Partner, KPMG LLP

Enc. Summary of Audit Fees

TRANSPORT FOR LONDON

FEEs FOR NON-AUDIT SERVICES – 1 APRIL 2008 TO 30 SEPTEMBER 2008

Entity	Statutory Audit Fee 2008/09 £	Non- Statutory Audit Fee 2008/09 (A) £	Non-Audit Fees 2008/09 (B) £	Comments
TfL Corporation	29,000			Fee in respect of Data Quality Review
	83,500			Fee in respect of Use of Resources assessment
	265,500			Fee in respect of Accounts audit
	5,500			Fee in respect of WGA
	33,370			Electors and GLA enquiries
		10,995		Review of IT security policy arrangements
			54,500	Review of effectiveness of Internal Audit
			11,200	Fee in respect of VAT helpline 2008/09
			13,450	Tax advice relating to restructuring of the London Transport Museum as a charity
		4,575		Audit of 2007/08 Community Infrastructure Grant Claim – Langdon Park
		4,500		Audit of 2007/08 Community Infrastructure Grant Claim – Dalston Junction

Appendix I

Entity	Statutory Audit Fee 2008/09 £	Non- Statutory Audit Fee 2008/09 (A) £	Non-Audit Fees 2008/09 (B) £	Comments
		6,750		Audit of 2007/08 Growth Areas Fund
		9,100		Audit of the ERDF grant fund for period 1 October 005 to 30 September 2008
	16,500			Review of CSC in-sourcing business case
		28,663		Review of Group Internal Audit investigation procedure
		5,000		Audit of 2006/07 Community Infrastructure Grant Claim
				Assistance in preparation of claim for refund of overpaid VAT submitted 31.3.2009 – fee under discussion
TfL Corporation subtotal	433,370	69,583	79,150	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 20% of the total statutory audit fee for TfL Corporation only or £30,000 – £86,674.
Transport Trading Limited	1,126,270			Proposed 2008/09 audit fee for all subsidiaries excluding TfL Finance Limited
	44,898			Accounting advice regarding Metronet in 2007/08 accounts
	50,000			Metronet controls assistance
	26,000			2007/08 audit fee for Metronet (REW) Limited
	18,700			2007/08 audit fee for Metronet (TMV) Limited

Appendix 1

Entity	Statutory Audit Fee 2008/09 £	Non-Statutory Audit Fee 2008/09 (A) £	Non-Audit Fees 2008/09 (B) £	Comments
	40,000			2007/08 audit fee for Tramtrack Croydon Limited – previously reported at £27,000
	20,000			Rail for London Limited - additional fees in relation to 2008 (accounting advice and increase in activity)
		15,000		CLGR (City Lewisham Greenwich Railway) – audit of performance reporting systems
		14,900		Fee in respect of OTRA revenue allocation relating to 2007/08 – not previously reported
		16,120		Review of revenue allocation within Railway Settlement Plan
		9,094		CARE (London City Airport Rail Extension) Audit of performance reporting systems
		2,000		Audit work required by the ORR (Office of Rail Regulation)
			3,130	Payroll Solutions Software licence
		43,000		Audit of performance reporting systems at DLR
			4,750	Prestige Profiler Model advice
London Transport Museum Limited	25,000			Audited by KPMG's Charities Unit
London Transport Insurance (Guernsey)	13,000			Audited by KPMG's Channel Islands practice

Appendix 1

Entity	Statutory Audit Fee 2008/09 £	Non-Statutory Audit Fee 2008/09 (A) £	Non-Audit Fees 2008/09 (B) £	Comments
TOTAL	1,797,238	169,697	87,030	Maximum allowable without prior agreement of TTL's Audit Committee is 20% of the total group statutory audit fee - £359,447.

Appendix 1

- (1) The statutory audit fee for TFL Corporation for 2008/09 has been taken from the TFL Audit Plan, presented to the Audit Committee in March 2008. 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 TFL 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.