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**From:** Appointing Person 2023 <AP2@psaa.co.uk>

**Sent:** 24 August 2022 12:23

**Subject:** PSAA announcement of interim procurement outcome - South Yorkshire Mayoral Combined Authority

Dear Mr Sutton,

Today we have issued the following short press release to provide an update on the progress with our procurement of audit services from 2023/24 onwards.

We are pleased to have reached this position but know we are not quite there yet. We are calling on the market, on whom we are wholly dependent, to respond positively to enable us to achieve the capacity we need.

As the press release mentions we will provide a further announcement once the supplementary procurement has concluded.

PSAA's current procurement of local audit services is about to enter a concluding stage. The initial process has secured **96.5%** of the capacity required to enable auditor appointments to all the bodies that have opted into PSAA's national scheme. A rapid supplementary procurement of four small-sized Lots will now take place to seek to secure the remaining outstanding capacity needed.

The supplementary procurement will be launched on 25 August 2022. The nine registered suppliers that completed pre-qualification earlier this year will be invited to submit their responses by 13 September.

PSAA will make a full statement about the outcomes of the overall procurement in September as soon as the process has reached its conclusion.

Yours sincerely,

Julie Schofield, Senior Manager Business and Procurement, PSAA

**From:** Work and fees consultation <workandfeesconsultation@psaa.co.uk>

**Sent:** 22 August 2022 10:39

**Subject:** Consultation on the 2022/23 audit fee scale for opted-in bodies - South Yorkshire Mayoral Combined Authority

Dear Mr Sutton,

PSAA is [consulting on the fee scale for 2022/23 audits](#). This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23. Audit work under the proposed 2022/23 fee scale will largely be undertaken from autumn 2023 onwards.

This fee scale consultation is separate from the procurement exercise PSAA is undertaking for audit contracts that will apply for the next five years, for audits from 2023/24. An announcement on the outcome of the procurement will be made in the near future. Audit work under the new contracts will take place from 2024 onwards. Any audit fee implications arising from the results of the procurement will be covered by our consultation on the 2023/24 fee scale in twelve months' time.

Consultees will be aware that auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These changes have resulted in significant tensions and pressures in the wider audit market and profession and have led to a series of government-commissioned reviews of audit and audit regulation. The Department for Levelling Up Housing and Communities (DLUHC) has announced [a range of measures](#) to be implemented to address the issues identified in the local audit framework specifically. These include a new system leader role to be discharged by a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established under future legislation.

This [consultation on the 2022/23 fee scale](#) is taking place in the context of these pressures and changes. The consultation explains how PSAA proposes to calculate the audit fees which will make up the 2022/23 fee scale, managing the impact of three key elements:

- fee variations approved in relation to 2019/20 and 2020/21 audit work which relate to recurrent audit work that is needed in subsequent audit years;
- changes in local audit requirements; and
- the impact of changes in inflation.

We explain in the consultation how we propose to address each of these elements. We will be writing to all opted-in bodies in early September to confirm their individual positions on approved fee variations from prior years that relate to additional audit work needed on an ongoing basis, which we will consolidate into individual scale fees for 2022/23.

In addition to the consultation on the 2022/23 fee scale, we are also publishing [a briefing to support fee variation discussions](#) between opted-in bodies and auditors for the 2021/22 audits. The briefing sets out further information on the expected impact on audit fees of the additional work now needed under the Code of Audit Practice 2020 for auditors to produce a VFM commentary, and of other changes in auditing and accounting standards.

We welcome comments from all stakeholders on the proposals contained in the 2022/23 fee scale consultation. Please send your feedback using [this link](#).

The consultation will close on **Friday 30 September 2022**.

Please send any questions about the consultation to [workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk)

Your sincerely  
Tony Crawley, Chief Executive, PSAA

**From:** Work and fees consultation <workandfeesconsultation@psaa.co.uk>

**Sent:** 12 September 2022 15:57

**Subject:** Proposed 2022/23 scale fees for South Yorkshire Mayoral Combined Authority

Dear Mr Sutton,

PSAA is [consulting on the fee scale for 2022/23 audits](#). This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23.

Attached to this email is a summary of the recurring fees we propose to consolidate into the 2022/23 scale fee for South Yorkshire Mayoral Combined Authority.

If you have comments or questions in relation to this email and the attached fee consolidation summary, please reply to [workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk). The fee scale consultation closes on 30 September 2022.

We will publish the confirmed 2022/23 fee scale on our website at the end of November 2022, together with the updated scale fees for individual opted-in bodies.

Yours sincerely,  
Tony Crawley  
Chief Executive, PSAA

## 2022/23 scale fee for South Yorkshire Mayoral Combined Authority

PSAA is [consulting on the fee scale for 2022/23 audits](#). Your proposed scale fee based on the consultation proposals is set out below.

Our aim is to keep your audit fee as up-to-date as possible based on the most recent information we have available. We propose setting your 2022/23 scale fee by updating your 2021/22 scale fee with the most recent recurring fee variations we have approved in relation to your audit. Table 1 below provides a summary of your proposed 2022/23 scale fee.

**Table 1: 2022/23 scale fee summary\***

2021/22 scale fee	£29,414
Recurring approved fee variations for consolidation into 2022/23 scale fees (see Table 2)	£3,126
<b>2022/23 scale fee</b>	<b>£32,540</b>

\* Please note: the fee scale consultation also refers to the contractual inflationary increase in auditor remuneration, which PSAA proposes to fund from monies that would otherwise be part of a future distribution to opted-in bodies. Further details are set out in the consultation.

In line with the Appointing Person Regulations, we cannot change your 2022/23 scale fee after 30 November 2022. Any further recurring fee variations or changes approved after 30 November will therefore be considered in a future fee scale.

We will not be consolidating additional fees needed for work on the VFM commentary and ISA 540 into the 2022/23 scale fee as we do not currently have sufficient information to enable us to do so. The additional work will continue to be subject to the fee variation process and consolidated into a future fee scale when the evidence base is sufficiently robust.

Table 2 below sets out the fee variations approved to date for your audit over the three audit years 2018-21 in respect of additional work performed on groups, pension valuations, PIE, PPE valuations, increased FRC challenge and PFI (left-hand side of Table 2). These figures are taken from the Fee Variation Statements we have sent you for approved fee variations.

The fee variations shown for each of the three audit years are not necessarily final figures. In some cases, for example, where audits have yet to be completed, further fee variation claims are expected. The recurring elements of any further fee variations approved will be addressed in future fee scale consultations.

The proposed aggregate value of recurring fee variations to date for consolidation into your 2022/23 scale fees is shown in column A of Table 2 and is based on the most recent approved fee variations for your audit.

Sometimes fee variations can be a combination of recurring and non-recurring work. We have reviewed each fee variation to identify the recurring element/s within the categories and so the aggregate recurring element may differ from the lefthand side of the table (the figures included in your Fee Variation Statement).

Some of these recurring fee variations may have already been consolidated within your scale audit fee. Where this is the case relevant figures are shown in column B. The balance of any recurring fee variations (A minus B) which have not yet been consolidated are shown in column C. These are the additional fees which we propose to incorporate within your 2022/23 scale fee.

**Table 2: Summary of recurring approved fee variations for consolidation into 2022/23 scale fees**

Fee variation area of work	Approved fee variations			Proposed aggregate recurring value for consolidation into 2022/23 scale fees	2018/19 already consolidated into 2021/22 scale fees	Recurring approved fee variations for consolidation into 2022/23 scale fees
	2018/19	2019/20	2020/21			
Group	-	-	-	-	-	-
Pension valuation	-	£2,501	-	£3,126	-	£3,126
PIE	-	-	-	-	-	-
PPE valuation	-	-	-	-	-	-
Increased FRC Challenge	-	-	-	-	-	-
PFI	-	-	-	-	-	-
<b>Total approved fee variations for recurring categories</b>	-	£2,501	-	£3,126	-	£3,126

**From:** Work and fees consultation <workandfeesconsultation@psaa.co.uk>

**Sent:** 12 September 2022 15:57

**Subject:** Proposed 2022/23 scale fees for South Yorkshire Passenger Transport Executive

Dear Mr Sutton,

PSAA is [consulting on the fee scale for 2022/23 audits](#). This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23.

Attached to this email is a summary of the recurring fees we propose to consolidate into the 2022/23 scale fee for South Yorkshire Passenger Transport Executive.

If you have comments or questions in relation to this email and the attached fee consolidation summary, please reply to [workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk). The fee scale consultation closes on 30 September 2022.

We will publish the confirmed 2022/23 fee scale on our website at the end of November 2022, together with the updated scale fees for individual opted-in bodies.

Yours sincerely,  
Tony Crawley  
Chief Executive, PSAA

## 2022/23 scale fee for South Yorkshire Passenger Transport Executive

PSAA is [consulting on the fee scale for 2022/23 audits](#). Your proposed scale fee based on the consultation proposals is set out below.

Our aim is to keep your audit fee as up-to-date as possible based on the most recent information we have available. We propose setting your 2022/23 scale fee by updating your 2021/22 scale fee with the most recent recurring fee variations we have approved in relation to your audit. Table 1 below provides a summary of your proposed 2022/23 scale fee.

**Table 1: 2022/23 scale fee summary\***

2021/22 scale fee	£27,613
Recurring approved fee variations for consolidation into 2022/23 scale fees (see Table 2)	£3,126
<b>2022/23 scale fee</b>	<b>£30,739</b>

\* Please note: the fee scale consultation also refers to the contractual inflationary increase in auditor remuneration, which PSAA proposes to fund from monies that would otherwise be part of a future distribution to opted-in bodies. Further details are set out in the consultation.

In line with the Appointing Person Regulations, we cannot change your 2022/23 scale fee after 30 November 2022. Any further recurring fee variations or changes approved after 30 November will therefore be considered in a future fee scale.

We will not be consolidating additional fees needed for work on the VFM commentary and ISA 540 into the 2022/23 scale fee as we do not currently have sufficient information to enable us to do so. The additional work will continue to be subject to the fee variation process and consolidated into a future fee scale when the evidence base is sufficiently robust.

Table 2 below sets out the fee variations approved to date for your audit over the three audit years 2018-21 in respect of additional work performed on groups, pension valuations, PIE, PPE valuations, increased FRC challenge and PFI (left-hand side of Table 2). These figures are taken from the Fee Variation Statements we have sent you for approved fee variations.

The fee variations shown for each of the three audit years are not necessarily final figures. In some cases, for example, where audits have yet to be completed, further fee variation claims are expected. The recurring elements of any further fee variations approved will be addressed in future fee scale consultations.

The proposed aggregate value of recurring fee variations to date for consolidation into your 2022/23 scale fees is shown in column A of Table 2 and is based on the most recent approved fee variations for your audit.

Sometimes fee variations can be a combination of recurring and non-recurring work. We have reviewed each fee variation to identify the recurring element/s within the categories and so the aggregate recurring element may differ from the lefthand side of the table (the figures included in your Fee Variation Statement).

Some of these recurring fee variations may have already been consolidated within your scale audit fee. Where this is the case relevant figures are shown in column B. The balance of any recurring fee variations (A minus B) which have not yet been consolidated are shown in column C. These are the additional fees which we propose to incorporate within your 2022/23 scale fee.

**Table 2: Summary of recurring approved fee variations for consolidation into 2022/23 scale fees**

Fee variation area of work	Approved fee variations			Proposed aggregate recurring value for consolidation into 2022/23 scale fees	2018/19 already consolidated into 2021/22 scale fees	Recurring approved fee variations for consolidation into 2022/23 scale fees
	2018/19	2019/20	2020/21			
Group	-	-	-	-	-	-
Pension valuation	-	£2,501	-	£3,126	-	£3,126
PIE	-	-	-	-	-	-
PPE valuation	-	-	-	-	-	-
Increased FRC Challenge	-	-	-	-	-	-
PFI	-	-	-	-	-	-
<b>Total approved fee variations for recurring categories</b>	-	£2,501	-	£3,126	-	£3,126

**Sent:** 03 October 2022 13:47

Dear Mr Sutton,

Today we have announced the outcome of our procurement for audit services for opted-in bodies from 2023/24 onwards.

In summary we have offered contracts to six suppliers. We are pleased to retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, to welcome former supplier KPMG back to the market, and to be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.

The bid prices that we received in this procurement reflect a significant increase compared to our previous procurement in 2017. At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required.

We appreciate that the extent of this likely increase in audit fees will pose a significant funding challenge for local bodies already facing a daunting range of financial pressures. We have raised this with DLUHC for consideration.

You can read the [full press release](#) via our website.

Yours sincerely,

Julie Schofield, Senior Manager Business and Procurement, PSAA