

Briefing Note:

Appointment of External Auditors

On the 2nd November 2021 a report was sent to Audit and Scrutiny committee recommending “that the committee accepts Public Sector Audit Appointments invitation to opt into the sector led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023”.

As Local audit regulations mean that it is a full council decision and is not required until 11th March 2022, there was a request for more statistical and cost information before the committee could make a final decision.

It is difficult to add expected costs into the report as that will depend on the rates that suppliers bid. Other than the probability that fees will increase from the current level it is proving difficult for anyone to say with any certainty what the fees will be from April 2023 as there are too many variables and too much uncertainty. There is a general belief though that the collective procurement from the local government sector will provide better value compared to local smaller procurements.

A way to look at the costs and possible scenarios is to compare the previous external audit tender exercise.

In the last tender process (2018/19) 98% of authorities chose to opt in. Ten authorities made local arrangements and opted out (four were police and/or fire authorities and the City of London corporation also chose to make their own arrangements). The Authorities who made local arrangements were as follows:

Authority name	Authority type
Chief Constable of Essex	Chief Constable
City of London Corporation	London Borough Council
Cornwall Council	Unitary Authority
Council of the Isles of Scilly	Unitary Authority
East Hampshire District Council	District Council
Essex Fire Authority	Police Fire and Crime Commissioner
Essex Police Fire and Crime Commissioner	Police Fire and Crime Commissioner
Essex Police Fire and Crime Commissioner Fire Authority	Commissioner F and R Authority
Newcastle City Council	Metropolitan District Council
North Tyneside Council	Metropolitan District Council

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Two similar types of authorities to Tandridge District Council made local arrangements. The sample is very small as most opted in and it is not always easy to compare authorities, but it does at least give an indication of prices.

It should be noted that the scope of local audit is fixed and determined by statute and by accounting and auditing codes. It will be the same under any local procurement and the PSAA procurement.

For Tandridge District Council I have compared the following:

Body Type Auditor	Tandridge District Deloitte £000	East Hampshire District KPMG £000	Isles of Scilly Unitary Grant Thornton £000
Cost of Services	13,601	18,893	6,970
Deficit	4,038	(311)	2,352
Total CI&E	1,969	(1,854)	9,143
Long Term Assets	415,803	197,458	33,318
Net Assets	258,937	16,509	23,810
Useable Reserves	27,653	41,906	5,029
Audit Fees			
Fees	36	70	40
Grant Claims	0	0	10
Additional	0	9	0
Total Fees	36	79	50
% Indicative Saving		54%	28%

One of the comparable authorities is 40% larger in terms of cost of services and one is approximately 50% smaller. Audit fees paid were 119% and 39% higher than the fees paid by Tandridge.

Comparison between collective procurement and self-procurement:

The following table shows a comparison between Tandridge Audit costs and those of the above authorities who opted out and went down the self-procurement route.

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Body Type Auditor	Tandridge District Deloittes Opted In £000	East Hampshire District KPMG Opted Out £000	Isles of Scilly Unitary Grant Thornton Opted Out £000
Audit Commission 17/18	56	54	57
18/19 vrs self procurement	36	78	57
19/20 vrs self procurement	36	64	62
20/21 vrs self procurement	36	79	50

NB: All figures have been taken from published statement of accounts. Any unaudited statements may be subject to change if additional costs are deemed payable.

The table above shows that the audit base fee for Tandridge has reduced during the latest external audit contract whilst one of the comparators has increased and the other has marginally decreased.

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