

# Report

## Governance & Audit Committee

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### Part 1

Date: 29<sup>th</sup> September 2022

**Subject** **Audit Wales Fee Consultation 2023/24**

**Purpose** This report provides Governance & Audit Committee with an overview of the Audit Wales Fee Consultation for 2023/24.

**Author** Assistant Head of Finance

**Ward** All

**Summary** This covering report and Appendix 1 outline Audit Wales' proposed fees for 2023/24. A 5.5% increase is proposed to cover inflationary and pay pressures within Audit Wales. In addition, an increase of between 12% and 18% will be implemented to reflect the added costs of adhering to a revised auditing standard (ISA315). There is also a proposal to reduce local performance audit fees by approximately one third.

**Proposal** To note the proposed changes to fees, and likely cost impact, and provide comments as appropriate.

**Action by** Head of Finance / Assistant Head of Finance

**Timetable** Immediate

This report was prepared after consultation with:

- Audit Wales
- Head of Finance

**Signed**

## Background

On an annual basis, Audit Wales are required to consult with local authorities regarding their proposed fee structure for the forthcoming financial year. Audit Wales are not allowed to make any profit from their fees, with fees only permitted to cover the full cost of providing services. The consultation, which has now closed, will be used to inform the Senedd's review of the draft fee scheme for next year.

The consultation document for the 2023/24 financial year proposes an average increase in fees of 5.5% to reflect projected inflationary and pay pressures. In addition, it outlines a proposal to switch approximately one third of performance audit fees to be covered by the Welsh Consolidated Fund, thus reducing local audit fees for performance work.

A key aspect of the report is the introduction of a revised auditing standard (ISA315) and the significant impact this will have. In short, Audit Wales will be required to take a risk-based approach to auditing, which will require greater judgement on the part of auditors as to where the greatest risks of material misstatement lie. This will require more input from more qualified and experienced staff, inevitably adding to the cost of undertaking the audit, particularly during the first year of implementation. Initial estimates of the impact upon fee scales have identified an increase of between 12% and 18%. The consultation report notes that this will be reviewed during the second half of the 2023/24 financial year.

The fee consultation report forms Appendix 1 to this report. It should be noted that the consultation has now closed and, therefore, this report is being presented to the Governance & Audit Committee for information only.

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The outcome of the consultation results in higher fees payable than currently estimated and budgeted for.	Medium	Low	The Council will reflect the projected fee increases within its 2023/24 revenue budget.	Head of Finance, Assistant Head of Finance.

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

There is a statutory requirement for local authorities to produce an annual Statement of Accounts, which are subject to external audit. The external auditor in the case of Welsh local authorities is Audit Wales and each local authority is required to incur the fees for the audit work undertaken in respect of their organisation.

## Options Available and considered

1. The Committee is being asked to note the content of the consultation document only and, therefore, there are no other options available.

## **Preferred Option and Why**

To note the content of the consultation report and provide any comments, as required.

## **Comments of Chief Financial Officer**

The consultation report outlines the potential external audit fee increases that the Council will be subject to in 2023/24. Although draft at this stage, the report highlights the potential for significant fee increases in compared with previous years. The Council will have no alternative but to meet the fee increases and, therefore, will need to reflect these within its 2023/24 revenue budget.

## **Comments of Monitoring Officer**

There are no specific legal issues arising from the report.

## **Comments of Head of People. Policy & Transformation**

There are no specific HR or policy issues arising from this report.

## **Comments of Cabinet Member**

N/A

## **Local issues**

N/A

## **Scrutiny Committees**

N/A

## **Fairness and Equality Impact Assessment:**

- **Wellbeing of Future Generations (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

For this report, a full Fairness and Equality Impact Assessment has not been undertaken. This is because this covering report and associated documents are not seeking any strategic decisions or policy changes, with their purpose being to report historical financial information. The Wellbeing of Future Generations (Wales) Act 2015 forms an integral part of the financial management of the Council.

## **Consultation**

N/A

## **Background Papers**

N/A

Dated: 22<sup>nd</sup> September 2022.