

Consultation on Fee Scales 2024-25

August 2023

How to respond

Please respond by 10 October 2023.

Responses can be sent to the following address:

Fee scales consultation
Audit Wales
1 Capital Quarter
Cardiff
CF10 4BZ

Or completed electronically and sent by email to: info@audit.wales

If you require this publication in an alternative format and/or language please contact us using the details provided above or by telephone on 029 2032 0500.

Publication of responses – confidentiality and data protection

Information provided in response to this consultation may be published or disclosed in accordance with access to information legislation (chiefly the Freedom of Information Act 2000, but also data protection legislation, including the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want any information you provide to be treated as confidential, you should tell us why you regard the information you have provided as confidential. If we receive a request for disclosure of information we will take full account of your explanation, but we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Auditor General or Audit Wales.

Personal data will be processed in accordance with data protection legislation. Where such data falls within the scope of a request for information from another person, the provisions of data protection legislation and the Freedom of Information Act will need to be considered in the particular circumstances. While no situation can be prejudged, this is likely to mean that information concerning senior officials and public figures is likely to be disclosed while the names and addresses of ordinary members of the public are likely to be withheld.

Welsh language standards

Audit Wales is required to comply with Welsh Language Standards that provide for the Welsh language not to be treated less favourably than the English language. More information can be found on our Welsh language arrangements on our [website](#). When reviewing this consultation, we would welcome your views on whether you consider there to be anything in this consultation that undermines or supports this requirement. We would also welcome your thoughts on any revisions that could be made to support opportunities to use the Welsh language or ensure we do not treat the Welsh language less favourably than the English language.

Contents

How to respond	2
Publication of responses – confidentiality and data protection	2
Welsh language standards	3
Foreword	5
Consultation	8
Fee scales for work undertaken under the National Fraud Initiative (data matching)	12
Fee scales for Local Government bodies	13
Unitary authorities	13
Local Government Pension Funds	14
Fire and Rescue Authorities	14
National Park Authorities	15
Police and Crime Commissioners	16
Town and community councils with annual income or expenditure under £2.5 million	17
Fee rates for other work in local government	18



Foreword

You will be familiar with our annual consultation on fee scales. We are required by legislation to do this for local government bodies, but choose to consult more widely so that all stakeholders have an opportunity to respond to our fee proposals.

Responses to our 2022 consultation exercise suggested that the timescale for consultation (during August and early September) was challenging for some bodies. We are therefore consulting a little later this year and extending our consultation deadline until 10 October. Please note that for us to submit our draft Fee Scheme alongside our Estimate for 2024-25 to the Senedd Finance Committee by the end of October, we are unable to extend this any further.

We do not and cannot make profits on our work.

Legislation requires that the fees we charge **may not exceed** the full cost of exercising the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. Audit Wales remains determined to minimise audit fees whilst ensuring that its audit quality continues to meet rigorous standards.

Like the rest of the public sector, we are facing significant staff cost pressures. For Audit Wales, those are exacerbated by a truly global shortage of audit and finance professionals, which we are seeing reflected in our ability to recruit and retain qualified staff. Staff costs account for over 80% of our cost base and for 2022-23 and 2023-24, we awarded our staff pay increases that were well below inflation and lower than the averages seen elsewhere in the public sector (3% and 4% respectively). We must start to address this shortfall in 2024-25, particularly given the challenges for recruitment and retention being felt across the audit profession.

To help offset increasing staff costs, we are taking difficult decisions to reduce our non-staff expenditure. We are moving to smaller, cheaper offices in both South and North Wales, have significantly reduced our travel and associated costs, and removed financial allowances previously paid to staff. Through our Financial Sustainability Review, we have an established mechanism to challenge our operating model and for identifying any further opportunities for savings and efficiencies.

Failures and poor performance in local public audit in England, and in the corporate sector, demonstrate the enormous cost and damage that can result from a failure to deliver high quality audit. The weaknesses of those sectors led to several UK-wide reviews¹ of audit and new professional standards, which increases expectations of audit and of the quality of that audit. To ensure that the public audit regime in Wales remains strong and effective, we continue to make significant investment in audit quality and it is central to all decisions we make.

To maintain this investment in 2024-25, and to respond to pay and price pressures, we will need to increase our fee rates by an average of 6.4% in 2024-25.

The actual fee that any individual audited body will pay depends not just on our fee rates but on the quantum of work and the skill mix required. Last year, you will recall that we implemented a fundamentally different audit approach for our financial audit work, required by new international auditing standards. This required a richer, more costly skill mix that was reflected in higher fees. In the autumn, we will review the experience of the first year using the new approach so that we learn lessons and secure efficiencies wherever possible. Audit directors and teams will, of course, speak to all audited bodies to explain the combined impact of that exercise, and the fee rates described in this consultation, on the level of fee each body will be charged in 2024-25.

1 Competition and Markets Authority Review; Kingman Review; and Brydon Review

We know that audited bodies are concerned that we are increasing our fees at a time when there are delays to some of our audit work – some of which are attributable to the recruitment and retention issues described above. We are working hard to address this backlog. Audit directors are in contact with audited bodies to ensure a common understanding of delivery and expectation so that we can work together as effectively as possible.

We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

I hope that this consultation is helpful, and I look forward to hearing your views.

Many thanks



Adrian Crompton

Auditor General
for Wales



Consultation

Fee rates 2024-25

Our proposed fee rates for 2024-25 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2024-25

Grade	Rate (£ per hour) 2024-25	Rate (£ per hour) 2023-24
Audit Director	181	170
Audit Manager	138	130
Audit Lead	111	107
Senior Auditor	90	86
Auditor	64	62
Graduate trainee	59	54
Apprentice	46	40

The average increase of 6.4% referred to above is a weighted average based on our overall staff mix. Actual increases by grade vary as, to meet the 'no more than full cost' requirement, we calculate rates based on actual staff in post, and hence the rates allow for incremental progression where relevant as well as expected pay increases for the year.

The Senedd Finance Committee scrutinises us on our spending, performance and budget plans, and the assumptions in this consultation are subject to their approval of our Estimate in autumn 2023 and our Fee Scheme early in 2024.

Further information on our work and our expenditure is provided in our [Annual Report and Accounts 2022-23](#) and [Annual Plan for 2023-24](#).

Facilitating thematic and cross sector reviews

In our [consultation on fees for 2022-23](#), we set out proposals to switch the funding for some of our performance audit work in local government and health from audit fees to the Welsh Consolidated Fund (WCF).

In the event, the Welsh Government was unable to confirm, prior to submission of our Estimate for 2023-24, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. As a result, the Senedd Finance Committee asked that we defer this proposal until our 2024-25 Estimate. This consultation reflects the impact on our fees for 2024-25 of the proposed switch. As before, the switch will only take place if the Welsh Government confirms it is content to make consequential adjustments to funding so that there is no net cost to the WCF, and the Finance Committee and Senedd endorse the approach. We are consulting on the proposal in this consultation, subject to those caveats.

The switch would apply to the 22 principal councils and seven health boards but not to other Local Government bodies or NHS Trusts and Special Health Authorities.

The elements of our performance audit fee that we are seeking to switch to WCF relate to delivery of 'thematic' or topic-specific reviews that typically involve audit work across a number of audited bodies (on an all-Wales and/or regional level) and often with a cross-sector or whole-system focus.

We see such reviews as adding value to our audit regime with their ability to give a whole-system view, helping improve the quality of services provided to taxpayers, and providing insight on the Welsh Government's aspiration for '[One Welsh Public Service](#)'. We are therefore keen to make the delivery of these reviews as flexible and efficient as possible. The key constraints that we emphasised about the current funding model concerned:

- potential inflexibility in the way we disseminate findings – arising from any expectation from audited bodies paying fees that there would typically be an output specific to that body; and
- transactional complexity – given the need to balance time charging across multiple timesheet codes and with the 'charge no more than the full cost' requirements of the Public Audit (Wales) Act 2013, meaning we have to be careful that there is no cross-subsidisation from one body to another.

As for 2023-24, in determining how much funding we would look to switch to the WCF, we are looking to strike an appropriate balance between work funded locally and that funded through the WCF, and recognising that other existing WCF funding streams already provide opportunity for cross-cutting work. The key principles being:

- retaining sufficient local audit fee to support the delivery of work that is specifically focused on individual audited bodies, including risk assessment, examination of corporate governance and financial management issues (including sustainable principle examinations), and individual bespoke audit projects arising from our local assessment of risks;
- ensuring sufficient local audit fee is retained to support our routine local engagement with audited bodies, including regular meetings with senior leaders in audited bodies, and attendance at board, council and committee meetings as necessary; and
- applying the proposal to larger audited bodies (principal councils and health boards) to which our thematic work more typically applies.

We have taken on board the views of audited bodies, expressed in last year's consultation exercise, who value the insight from our local audit work whilst understanding the benefits of the proposals for more thematic studies. The proposed switch is therefore less than previously anticipated.

We anticipate that we will be reducing the fees charged for our local performance audit work by around 15% for Local Government and a quarter for Health bodies (around £0.9 million) and switching funding for this work to the WCF. To hold the WCF harmless for this change, we will be asking the Welsh Government to adjust funding allocations accordingly.

We would welcome your views on whether you support this proposed approach.

ISA315 and audit quality

Our audits for accounts ended 31 March 2023 and future years are being carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). This revised standard has significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit.

Our initial assessment of the impact of this richer skills mix was a potential average increase in the fee scales for our financial audit work of between 12% and 18%. The actual increase in fees for Local Government bodies for the 2022-23 audit of accounts was an average of 15% – as compared to the significantly higher increases estimated by private sector audit firms. This overall increase included around 10% due to the implementation of ISA315, with the remainder being as a result of increased fee rates for the year.

Our draft fee scales for local government bodies

The remainder of this document provides the fee scales for local government bodies and for mandatory participants to the National Fraud Initiative. The scales show the range of fees we expect to charge for a typical audited body in that sector with actual fees being set in response to local circumstances. These scales are not required for any other sector.

I would very much welcome your response to this consultation by 10 October 2023, to inform the Senedd's review of our Estimate and Draft Fee Scheme for 2024-25.

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 1 We invite your views on continuing participation in the National Fraud Initiative (NFI) on a nil-fee basis.
- 2 We are required to consult on and prescribe scales of fees for data matching for mandatory participants in the NFI. The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 3 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Our last [biennial report](#) identified potential savings and over-payments of £6.5 million across Wales's public services, increasing cumulative savings to £49.4 million since 1996.
- 4 Since April 2015, the Senedd has met the costs of running the NFI through payment from the WCF. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2024-25
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check)	Nil

Fee scales for Local Government bodies

- 5 We invite your views on the proposed fee scales which will apply to Local Government bodies for the audit of accounts 2023-24 and for 2024-25 performance audit work.
- 6 Our audit of accounts fee scale takes account of the average increase of fee rates as set out in **Exhibit 1**. As set out above, we are continuing to review the impact of ISA315 and will reflect the outcome in our Fee Scheme for 2024-25 which will be published early in 2024.

Unitary authorities

Exhibit 3: draft fee scale for the audit of 2023-24 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	145	170	196	159
200	174	205	236	191
300	194	228	262	213
400	209	246	283	230
500	222	261	301	244
600	233	274	316	257
700	243	286	329	267
800	252	296	341	277
900	260	306	352	286
1,000	267	314	362	294
1,100	274	323	371	302
1,200	281	330	380	309

- 7 Our proposed performance audit fee scale takes into account the proposed switch of funding for around 15% of our local performance work at Unitary Authorities to the WCF from April 2024.

Exhibit 4: draft fee scale for 2024-25 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	90	96	109	112

Local Government Pension Funds

Exhibit 5: draft fee scale for audit of 2023-24 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	45	56	60	48

Fire and Rescue Authorities

Exhibit 6: draft fee scale for audit of 2023-24 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	42	50	57	47
40	51	60	69	56
60	57	67	77	63
80	61	72	83	68
100	65	77	88	72

Exhibit 7: draft fee scale for 2024-25 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	17

National Park Authorities**Exhibit 8: draft fee scale for audit of 2023-24 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	31	36	29
4	32	37	43	35
6	35	41	48	39
8	38	45	51	42
10	40	48	55	44

Exhibit 9: draft fee scale for 2024-25 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	24	27	22

Police and Crime Commissioners

- 8 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: draft fee scale for audit of 2023-24 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	73	84	96	78
100	86	100	113	93
150	95	110	125	102
200	102	118	134	110
250	107	125	142	116
300	112	131	149	122
350	117	136	155	126

Town and community councils with annual income or expenditure under £2.5 million

- 9 Town and community councils in Wales are subject to a limited assurance audit regime.
- 10 In October 2020, the Auditor General published a [paper](#) setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 11 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 8**.
- 12 In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor's concerns.
- 13 It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2023-24 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£160 – £195	£181 – £213	£245 – £300	£379 – £463	£676 – £809	£899 – £1160
Limited procedures	£117 – £138	£145 – £172	£145 – £172	£223 – £266	£223 – £266	£223 – £266

Fee rates for other work in local government

- 14 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 15 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections, and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 16 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work

Grade of staff	Complex grants staff mix	All other grants staff mix
	%	%
Engagement Director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return



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Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.