



Consultation on Fee Scales 2023-24

August 2022

How to respond

Please respond by 16 September 2022.

Responses can be sent to the following address:

Fee scales consultation
Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

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.

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Consultation

You will be familiar with our annual consultation on fee scales, which we are required to do for Local Government bodies, but choose to consult on more widely so that all stakeholders have an opportunity to respond to our fee proposals.

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. We do not and cannot make profits on our work.

Audit Wales remain determined to minimise audit fees whilst ensuring that our audit quality continues to meet rigorous standards.

For 2023-24, we are facing significant cost pressures on both staff and non-staff costs, and whilst we have various initiatives in place to reduce our overall cost base, some of these increases will unfortunately need to be passed on as increased fees.

We have been working hard to identify efficiencies and have identified areas that will deliver savings of £2 million over the next 5 years on travel and accommodation costs.

We do, however, need to recognise cost of living pressures on our staff and need to make provision for pay increases in line with the rest of the public sector.

As set out in our [Estimate for 2022-23](#), we continue to make significant investment in audit quality to respond to recent UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit. To maintain this investment in 2023-24, and to respond to pay and price pressures, we will need to increase our fee rates by an average of 5.5% in 2023-24.

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

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

Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2023-24

Grade	Rate (£ per hour) 2023-24	Rate (£ per hour) 2022-23
Audit Director	170	163
Audit Manager	130	122
Audit Lead	107	100
Senior Auditor	86	84
Auditor	62	60
Graduate trainee	54	51
Apprentice	40	39

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 2022 and our Fee Scheme early in 2023.

Further information on our work and our expenditure is provided in our [Annual Report and Accounts 2021-22](#).

Facilitating thematic and cross sector reviews

In the [supporting information for our 2022-23 Estimate](#), we set out that, as part of our emerging strategy, we would be asking the Finance Committee 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 our Estimate for 2023-24.

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

In its November 2021 [report](#) following scrutiny of the Estimate, the Finance Committee noted our proposal. However, it emphasised that ‘understanding the views of audited bodies will be crucial to gaining the Committee’s support’.

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 might also want to look at issues such as the Welsh Government's system leadership on the theme being examined, which cannot be funded from audit fees.

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 feedback on the Welsh Government's 'One Welsh Public Service' developments. 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.

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 WFG Act work), 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 anticipate that we will be reducing the fees for our local performance audit work by around a third (£1.3 million) and switching funding for this work to WCF. To hold the WCF harmless for this change, Welsh Government would be asked, assuming the changes proposed are agreed, to adjust budget decisions accordingly.

We believe a change to our funding model will support the direction of travel we want to take with our work programme by giving us improved flexibility to examine more cross-cutting and whole-system issues – and also make that journey more straightforward to administer from a financial management perspective.

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

ISA315 and audit quality

Our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.

Our initial assessment of the impact of this richer skills mix is a potential average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

We recognise the concern that this increase will cause but the new standards inevitably mean higher costs and whilst we will continue to do everything that we can to keep costs down, we must ensure that our audits remain of high quality. Our Engagement Directors will discuss audit-specific fees with each body as we complete our 2022-23 audit risk assessment.

Our draft fee scales for local government bodies

The remainder of this document provides the fee scales for local government bodies and 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 16 September 2022, to inform the Senedd's review of our Estimate and Draft Fee Scheme for 2023-24.

Audit Wales are 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.

Many thanks



Adrian Crompton

Auditor General for
Wales

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 £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996.
- 4 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. 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 2023-24
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 2022-23 and for 2023-24 Performance audit work.
- 6 Our audit of accounts fee scale takes account of an average increase of 15% related to the implementation of ISA315 as discussed above. We are continuing to review the impact of this new standard and will reflect the outcome in our Fee Scheme for 2023-24 which will be published early in 2023.
- 7 Our proposed performance audit fee scale takes into account the proposed switch of funding for around one third of our local performance work at Unitary Authorities to the WCF from April 2023.

Unitary authorities

Exhibit 3: draft fee scale for the audit of 2022-23 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	182	139
200	162	191	219	167
300	181	212	244	186
400	195	229	264	200
500	207	243	280	213
600	217	255	294	223
700	226	266	306	233
800	234	276	317	241
900	242	285	327	249
1,000	249	293	337	256
1,100	255	300	345	262
1,200	261	307	353	268

Exhibit 4: draft fee scale for 2023-24 performance audit work

All unitary authorities	Minimum £'000	Median £'000	Fee range	Previous Year
			Maximum £'000	Median £'000
	70	74	84	105

Local Government Pension Funds**Exhibit 5: draft fee scale for audit of 2022-23 accounts**

All pension funds	Minimum £'000	Median £'000	Fee range	Previous Year
			Maximum £'000	Median £'000
	36	48	57	41

Fire and Rescue Authorities**Exhibit 6: draft fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Minimum £'000	Median £'000	Fee range	Previous Year
			Maximum £'000	Median £'000
20	40	46	53	41
40	48	56	64	49
60	53	62	72	54
80	57	67	77	59
100	61	71	82	62

Exhibit 7: draft fee scale for 2023-24 performance audit work

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

National Park Authorities**Exhibit 8: draft fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	24	29	33	25
4	29	35	40	30
6	33	39	44	34
8	35	42	48	36
10	38	44	51	39

Exhibit 9: draft fee scale for 2023-24 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	27	21

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 2022-23 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	68	78	89	69
100	80	92	105	81
150	88	102	116	90
200	94	110	125	96
250	100	116	132	102
300	104	121	138	106
350	108	126	144	111

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 5.
- 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 2022-23 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	£145 – £185	£170 – £200	£235 – £285	£360 – £440	£640 – £765	£850 – £1,100

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Limited procedures	£110 – £135	£140 – £165	£140 – £165	£210 – £265	£210 – £255	£210 – £255

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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