



Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2026

October 2024

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Estimate summary

Overview of Estimate 2025-26

- 1 With this Estimate we are requesting to increase our baseline call on Welsh Consolidated Fund (WCF) funding in 2025-26 by 2.9%¹.
- 2 The main drivers of the change in our call on WCF for next year are set out in **Exhibit 8** on **page 18**: These are:
 - Senedd Reform and the impact of proposed changes to the Wellbeing of Future Generations Act
 - increased cyber security requirements
 - inflationary pay increases
 - board development
 - the non-cash IFRS16 implications of our West Wales office move
 - a reduction in our capital investment requirements
- 3 We have allowed for an increase in our fee income of £1,134,000 (6.5%) for 2025-26. This increase reflects our plan to deliver more audit work than in a typical year as we reduce our backlog of audits and bring forward completion deadlines, along with a proposed 1.7% increase to our fee rates as set out in the draft fee scheme appended to this Estimate. More information on our proposals for fee income are set out on **page 13**.

Pwyllgor Cyllid / Finance Committee
FIN(6)-23-24 P2

1 Cash increase of 1.2% as set out in Appendix 1.

Our response to the Statement of Principles

- 4 In May 2019, the Senedd Finance Committee issued a [Statement of Principles](#) for Directly Funded Bodies (DFBs) to consider when preparing their annual Estimates.
- 5 On 19 July 2024 the Cabinet Secretary for Finance, Constitution & Cabinet Office wrote to the Chair of Finance Committee setting out the factors to inform future budget planning and the Government's best assessment of the level of funding available in future years.
- 6 The letter set out the significant uncertainties in the outlook for the Welsh Government's budget after 2024-25 given that the new UK Government had yet to set out its own fiscal plans and the Welsh Government had no funding settlement beyond 2024-25.
- 7 The Welsh Government Draft Budget published in December 2023 was accompanied by the Chief Economist's Report which included a projection for the Welsh Government resource budget for years beyond 2024-25. This was based on the previous UK Government's spending assumptions for the next few years, as used in the OBR forecasts last November (and which remained the same for the latest OBR forecasts in March this year). These assumptions stipulated that discretionary resource spending would increase by 1% a year in real terms and that capital spending would be broadly cash flat.
- 8 We have responded to the Statement of Principles, and the Cabinet Secretary's letter by:
 - identifying efficiencies both in our organisational processes and audit approach to minimise both the increase in funding requested from WCF and our audit fees for 2025-26;
 - set out in this document how we seek to maximise value for money at Audit Wales; and
 - provided evidence for changes in our funding requirements in 2025-26.

Value for money at Audit Wales

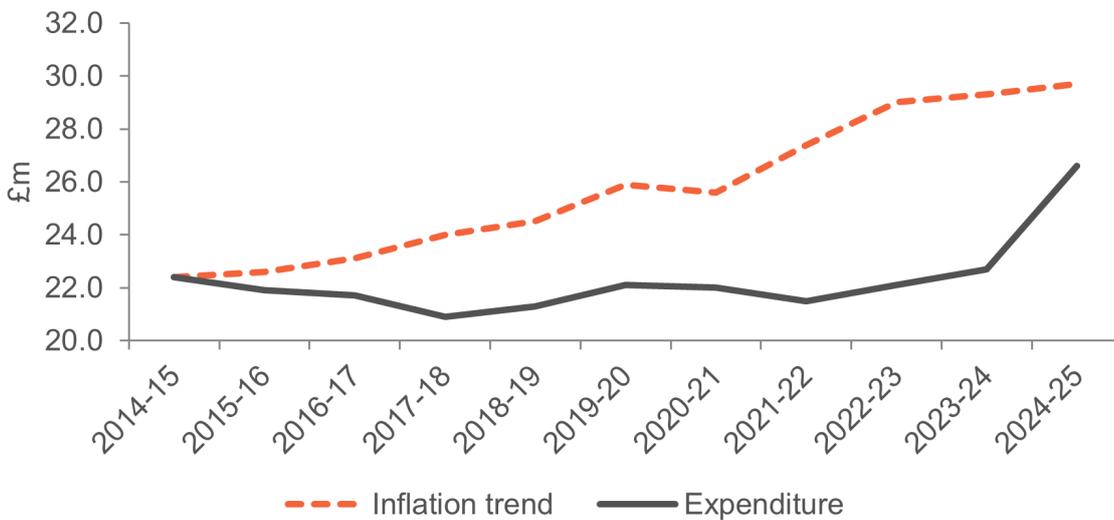
The value of public audit

- 9 Audit provides transparency and accountability to taxpayers and their elected representatives. It provides public bodies with accurate, reliable financial information with which to plan and manage their services and finances effectively.
- 10 Audit provides the Senedd, public bodies and the public with independent assessment of the state of financial and corporate management in the public sector and early warning of problems arising. When the quality or timeliness of audit reduces, the risks of waste, fraud and mismanagement increases.
- 11 In England, significant measures to tackle a worsening backlog in local audit and restore transparency and accountability over how public money is spent have been announced by the Ministry for Housing, Communities and Local Government.
- 12 This comes after just 1% of local bodies published their accounts on time in 2023-24 with the backlog expected to increase to around 1,000 audits this year.
- 13 In Wales we are in a much better position with a relatively low historical backlog on our principal audits. As at 30 September 2024 we have three 2022-23 unitary authority audits, one 2022-23 national park audit and one joint committee audit which are outstanding, all of which relate to audit issues at the particular bodies. For 2023-24 audits to date, all NHS audits were completed to the deadline set by Welsh Government. Work on the central government and local government sectors is progressing well.
- 14 But we cannot be complacent – we are still behind where we should be, but the additional funding agreed in our Estimate for 2024-25 has significantly improved our ability to recruit and retain staff. That means that we are now working through our backlog of audits at pace with the aim of clearing our audit backlog by the end of 2026.
- 15 This Estimate is aimed at maintaining the momentum for this work so that we do not prejudice the good progress currently being made.

Our performance to date

- 16 We are acutely aware of the importance of demonstrating that we bear down on our own costs and provide value for money.
- 17 At Audit Wales, we continually strive to provide world class public audit for the Welsh public sector in the most cost-effective way.
- 18 In the last ten years we have reduced the cost of public audit in Wales by 10% in real terms² despite an increase in the scope of our work, increased requirements for audit quality and new auditing standards. This reduction is represented in **Exhibit 1**. The increase in 2024-25 represents the additional investment in staff required to clear the backlog of audit work. This has been funded from fees rather than WCF.
- 19 The cumulative savings generated across those years amounts to over £31 million.

Exhibit 1: the cost of public audit 2014-15 to 2024-25



2 Based on GDP deflators published by ONS, June 2024.

20 We have made these savings by:

- significantly changing the shape of our workforce. We have reduced the proportion of directors and managers in our workforce and have invested in a graduate and apprentice training programme – providing opportunities for school leavers and graduates in Wales and improving social mobility as well as providing future financial managers for the Welsh public sector. In 2024-25 we further invested in this programme using additional WCF funding supported by the Senedd Finance Committee.
- in-sourcing our audit work. Since 2021-22 we no longer use private sector firms to carry out our audit work. In this regard we are unique amongst the UK public audit bodies. Though adding to the delivery pressures on Audit Wales staff, this has protected the public purse from significant price increases for this work being experienced by other UK audit agencies.
- reducing the cost of travel from £1.2million in 2019-20 to just over £350,000 in this Estimate. We negotiated with our trade unions the removal of a travel allowance previously paid to our audit staff and we have changed the way that we work to reduce our overall travel – providing environmental as well as cost efficiencies.
- we have moved to smaller, cheaper and more energy efficient offices, which still meet business need, in both North and South Wales saving around £250,000 each year despite increased utility costs. Early in 2025-26 we will be moving our West Wales office into the Welsh Government offices in Penllergaer.
- we continually challenge our non-pay budgets and our operating model to drive out efficiencies where possible.
- we are using technology and data analytics to carry out our audit work as efficiently as possible and minimise our travel across Wales.

21 More detail on our most significant savings initiatives is provided below.

Our Future Workplaces

- 22 In February 2020, we commenced a project to review our use of accommodation with a target to identify cost savings of £200,000 per year, deliver environmental improvements by moving to more energy efficient offices, and to contribute to wellbeing. In recognition of the changes to our working arrangements following the COVID pandemic, we also sought to secure premises that aligned with our smarter working principles, enabled flexibility for future business needs and to protect audit quality.
- 23 As the lease on our Cathedral Road office was due to expire in March 2023 and this was our most expensive and least energy efficient property, finding a new office in Cardiff was our top priority. Several options were considered and in July 2022 the Board approved a business case to relocate our Cardiff office to Capital Quarter at a cost saving of £220,000 per year with significantly improved Environmental standards and located near to public transport.
- 24 In June 2023, the Board considered a further business case to relocate our North Wales office from Abergele to the Welsh Government offices at Llandudno Junction. This move was completed in September 2023, delivering annual savings of £20,000 for Audit Wales but also savings for the wider public purse by utilising vacant space at the Welsh Government offices.
- 25 The final phase of our future workplaces project will be completed in April 2025 following the Board's decision to relocate our West Wales office in Penllergaer to share space at the Welsh Government offices also at Penllergaer. This will deliver savings of £10,000 per year.
- 26 In total this will bring overall savings from the reshaping of our estate to £250,000 per year as well as delivering more modern office accommodation for our staff and environmental improvements.
- 27 Since 2023, carbon emissions attributed to our offices have reduced by 58%. The moves have also contributed to a 77% increase in business miles by bus and a 64% increase in EV/hybrid vehicle miles.

Travel and subsistence

- 28 In 2019 our external auditors, RSM, completed a value for money review of our travel and subsistence arrangements which concluded that these did not represent value for money as a fixed travel allowance was paid to all staff classed as 'mobile' regardless of how much travel was undertaken.
- 29 In response to the RSM review we initiated negotiations with our Trade Unions to change staff terms and conditions and revise our pay scales and travel and subsistence arrangements.
- 30 At the time, we estimated that the new arrangements would deliver ongoing annual savings of £200,000.
- 31 2024-25 is the first year that new arrangements are fully in place and we are now estimating higher annual savings – of almost £300,000 – as compared to previous arrangements. These increased savings reflect an increase in the number of staff who would previously been classed as mobile along with a reduction in overall travel as compared to 2019.

Our budget 2025-26

Budget 2025-26

- 32 Around two thirds of the running costs of Audit Wales are met from fees that we charge audited bodies for our work. The remaining third, along with all capital expenditure, is met directly from WCF – more detail on which is provided in the next chapter.
- 33 This Estimate describes our total budget for 2025-26 including that part which is funded by fees. A draft Fee Scheme for 2025-26 which explains how fees will be charged to audited bodies is appended to this document.
- 34 A summary of our revenue budget in both cash and resource terms is attached as **Appendix 1**. Further detail is provided below.

Staff costs

- 35 **Exhibit 2** details our proposed staff budget for 2025-26. This budget makes provision for the employment of 312 full time equivalent (FTE) staff – as compared to 300 FTE in 2024-25. This increase in staffing is linked to our ambition to address the backlog of audit work that has built up over recent years. Funding for this increase in staffing is met entirely from fees charged to audited bodies.
- 36 We have made provision for an inflationary pay uplift for our staff which will be the subject of negotiations with our Trade Unions in 2025.
- 37 We have also allowed for expected savings from in year staff turnover of 5%. This level of turnover has been exceeded in recent years as we saw the loss of members of staff due to the increasingly competitive market for audit professionals. During 2024-25 we are seeing turnover return to more normal levels, but we cannot be complacent and need to ensure that our pay and employment offer remains competitive.
- 38 In addition, we have a budget set aside to fund short term temporary staff required to meet peaks in workload and to provide cover for maternity and sickness absence to ensure that we can continue to deliver audit work.

Exhibit 2: Staff costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Staff salaries including pension and NI	23,839	22,647	1,192	1,192
5% vacancy savings	(1,208)	(1,132)	(76)	(76)
Short term contract staff	729	797	(68)	(68)
Total staff costs	23,360	22,312	1,048	1,048

Accommodation

- 39 Audit Wales has three operational offices serving South, North and West Wales situated in Cardiff, Llandudno Junction and Penllergaer. Over the last two years we have sought to rationalise our office space to reflect new hybrid ways of working – resulting in a reduction in expenditure of over £240,000 each year. For 2025-26 we will see a further reduction of £10,000 following our move to the Welsh Government office in Penllergaer in April 2025.
- 40 The increased cash requirement for 2025-26 reflects the end of an agreed rent-free period at the Cardiff office.
- 41 Accommodation costs for 2025-26 are detailed in **Exhibit 3**.

Exhibit 3: Accommodation costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Lease rental	283	296	(13)	123
Business Rates	149	149	-	-
Utilities and other accommodation costs	286	286	-	-
Total accommodation costs	718	731	(13)	123

Travel and Subsistence

- 42 Audit Wales has significantly reduced its travel and subsistence costs in recent years both with the removal of a travel allowance previously paid to our operational staff and with a move to more sustainable ways of working. To ensure audit quality however we do still need to travel to audited bodies for some face-to-face audit work.
- 43 We have increased our budget for travel and subsistence slightly for 2025-26 as we move to more on-site working to ensure we maintain audit quality. This is set out in **Exhibit 4**.

Exhibit 4: Travel & subsistence 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Travel & subsistence	352	303	49	49

Other costs

- 44 **Exhibit 5** provides a breakdown of other non-staff costs for 2025-26.

Exhibit 5: Other costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Irrecoverable VAT	500	500	-	-
ICT	683	664	19	19
Audit Wales governance	345	320	25	25
External training	368	326	42	42
NFI annual costs	95	95	-	-
Depreciation & interest	408	396	12	-
Other supplies and services	1,305	1,248	57	57
Cyclical NFI costs	-	130	(130)	(130)
Total other costs	3,704	3,679	25	13

Audit Fees

- 45 For 2025-26 we plan for around 67% of our expenditure to be met from the fees that we charge to audited bodies. We are required by legislation to charge 'no more than the full cost' of the audit work at each audited body. We calculate this full cost based both on our budget for the year and the contribution from WCF towards our running costs.
- 46 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.
- 47 The income we receive from fees is governed by a Fee Scheme, which legislation requires us to publish at least on an annual basis.
- 48 Included within this Estimate document is our draft Fee Scheme for 2025-26 (**Appendix 2**). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2025-26 before the Senedd and then confirm estimated fees for next year to our audited bodies.
- 49 In September 2024, we consulted all audited bodies and representative groups on our proposed fee scales for 2025-26 which made allowance for an estimated increase in our average fee rates of 1.8%.
- 50 We received six responses all of which were broadly supportive of our proposal.
- 51 We have subsequently identified additional efficiencies which enable us to reduce the expected increase in fee rates to just under 1.7%.
- 52 Additionally, following a review of the implementation of a new audit quality standard (ISA315) we have been able to identify further efficiencies in our audit approach which means that we are able to reduce our average fee scales for the audit of accounts at Local Government bodies by an average of 3%.
- 53 A breakdown of the fee income we expect to generate in 2025-26 is provided in **Exhibit 6**.

Exhibit 6: Fee income 2025-26

	Change			
	2025-26	2024-25	Resource	Cash
	£'000	£'000	£'000	£'000
Audit of accounts (annual)	11,296	11,114	182	182
Grant certification	998	982	16	16
Performance Audit	4,513	4,441	72	72
Audit catch up	1,803	939	864	864
Total fee income	18,610	17,476	1,134	1,134

- 54 The modest increase in our fee rates for 2025-26 is, in part, driven by efficiencies of scale related to the increase in the numbers of audit staff employed whilst we clear our backlog of work. Once this backlog is cleared and we return to a steady state, post 2026, it is possible that we will see a disproportionate increase in fee rates as a result.
- 55 The Board is focussed on considering how this can be avoided by continuing to review our operating model to identify further efficiencies in our overheads. We are also exploring the potential to increase the work of Audit Wales in areas such as waste and fraud reduction where direct savings to the public purse could be realised, and to undertake more commissioned work (ie income generating work in areas outside the statutory duties of the Auditor General that would contribute to the running costs of Audit Wales).

Capital investment

- 56 Our capital investment priorities for 2024-25 to 2028-29 are set out in **Exhibit 7**.
- 57 Capital investment is targeted at projects that will deliver future efficiencies and savings; ensuring that our ICT provision makes the best use of available technology and that we take advantage of available digital solutions in the delivery of our work.
- 58 The industry move towards cloud based IT solutions with annual rental rather than significant up-front investment along with the completion of our future workplaces project means that we are able to reduce our cash requirement for capital projects from 2025-26.
- 59 Our move to the Welsh Government offices in Penllergaer will require a non-cash IFRS16 related capital budget of £187,000 in 2025-26 – however as the lease is being arranged with Welsh Government there is a nil impact on overall WCF.

Exhibit 7: capital investment

	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000
Change Programme	200	180	180	180	180
ICT Strategy	110	100	100	100	100
IFR16 re West Wales office	-	187	-	-	-
Total	310	467	280	280	280

Our Change Programme

- 60 We have an established change programme within Audit Wales to provide effective management of upcoming change projects. Some of these will require capital investment as set out below.

Future workplaces

- 61 2025-26 sees the final phase of our future workplaces project with a move to the Welsh Government office in Penllergaer planned for April 2025. As well as delivering savings estimated at £10,000 a year for Audit Wales, this move will also benefit the wider public purse by utilising surplus space in the Welsh Government estate.
- 62 Capital investment of £60,000 cash has been identified within our change programme for 2025-26 to fund necessary changes to the office space. In addition, there is a non-cash IFRS16 requirement of £187,000 for the up-front capitalisation of future lease costs. Note however, that although there is a budget implication for Audit Wales, there is no impact on the totality of WCF as the lease payments will be made to Welsh Government.

Our Digital Strategy

- 63 The balance of our change programme funding in 2025-26 will be used to fund improvements in the software used to manage our audit work along with necessary upgrades and improvements to our corporate management information systems.
- 64 Our audit platforms have been developed in-house at substantial savings as compared to off the shelf solutions. There is an annual requirement for on-going development for our performance audit software and in 2025-26 we will be developing a 'proof of concept' for Phase 2 of our financial audit platform as part of our wider strategy to modernise our audit approach.
- 65 We have an established, rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains fit for purpose and reliable.



Our call on WCF 2025-26

How we use WCF

- 66 Around 33% of our total budget is funded from the Welsh Consolidated Fund (WCF) with the balance being funded from the fees that we charge to audited bodies (our accruing resources).
- 67 Our proposed use of WCF for 2025-26 as it compares to 2024-25 is set out in **Exhibit 8** along with details of the budget area (per **Appendix 1**) to which it relates.
- 68 In addition, all capital investment is funded directly from WCF.

Exhibit 8: changes in our call on the WCF 2025-26

	2025-26 £'000	2024-25 £'000	Change £'000	Budget area to which it relates
Audit work	4,762	4,590	172	See Note 1
Wider Public sector benefit				
Pan Wales financial training	900	870	30	See Note 2
GPX	621	611	10	See Note 3
NFI (annual costs)	95	95	-	See Note 4
Our running costs				
Staff L&D ³	800	800	-	Staff costs
2019-20 pensions	732	732	-	Staff costs
Board & associated costs	345	320	25	AW Governance
Travel equalisation*	200	200	-	T&S
Data analytics*	214	207	7	Staff costs & ICT
Cyber Security	180	140	40	ICT
WCF control / compliance*	134	129	5	Staff costs
Translation	90	90	-	Other S&S
Audit quality*	89	86	3	Staff costs
Travel time*	77	76	1	Staff costs
IFRS16(depreciation)	85	73	12	Depreciation
Capital	280	310	(30)	Capital
Baseline WCF	9,604	9,329	275	2.9% increase
NFI cyclical funding	-	130	(130)	Other S&S (Note 4)
IFRS16 Capitalisation	187	-	187	Capital (non-cash)
Total WCF	9,791	9,459	332	3.5% increase
Non cash adjustments	(555)	(332)	(223)	Note 5
Total WCF Cash	9,236	9,127	109	1.2% increase

3 *Items marked with an asterisk represent a contribution from WCF towards the total cost with the balance being recovered from fees.

Note 1: Audit work

- 69 The majority of our audit work (67%) is funded through fees charged to audited bodies with fee rates set to recover all overheads (other than those funded directly from WCF) in line with the no-more than full cost requirement of PAWA 2013. This includes all of our audit of accounts work as well as our local performance audit work.
- 70 Audit work funded from the WCF is costed on the same basis – ie using the fee rates calculated to recover no more than full cost and hence has been increased in line with our proposed 1.7% fee rate increases for 2025-26.
- 71 Audit work funded through WCF includes:
- National Value for Money Examinations and Studies and related work;
 - the Auditor General's programme of national value for money examinations and studies provides support to the scrutiny work of the Senedd. These studies are reported to the Senedd's Public Accounts and Public Administration Committee (PAPAC) and described in our Annual Plan for 2024-25.
 - this funding is also used to help discharge the Auditor General's duties under the Well-being of Future Generations(WFG) (Wales) Act 2015.
 - the PAPAC is one of the key mechanisms for the Senedd to hold to account publicly funded organisations. We therefore aim to ensure that the Committee is well supported by us in its work. Increasingly, we also support the work of other Senedd Committees.
 - staff time associated with our National Fraud Initiative work;
 - work to explore themes arising from our accounts work;
 - support for our response to issues brought to our attention by members of the public and their elected representatives; and
 - for 2025-26 we have identified a further £97,000 of WFG work arising from Senedd Reform and four year electoral cycle.

Note 2: Pan-Wales financial skills development

- 72 Funding from WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 73 The increase for 2025-26 allows for an inflationary pay increase from April 2025.
- 74 We currently employ 68 trainees and apprentices providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 75 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees in other Welsh public sector bodies;
 - target our recruitment to improve social diversity and inclusion within our workforce and the wider finance profession in Wales;
 - fund an annual conference for public sector trainees across Wales, which promotes the value and importance of a career in public finance; and
 - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 76 Since 2015 we have welcomed 10 cohorts of trainees and apprentices to Audit Wales with a total of 172 young people being offered the opportunity to study for a professional accountancy qualification. To date, six of those cohorts have completed their training with 63 of our former trainees now being fully qualified accountants. Of these, 48 were offered roles at Audit Wales and 34 remain in post.
- 77 In August 2024, 26 new graduates and seven apprentices joined Audit Wales including the four additional WCF funded roles approved in our Estimate for 2024-25.
- 78 The total cost of our graduate and apprentice programme for 2025-26 is £3.6 million of which £900,000 is provided from WCF to meet the additional costs associated with the above activities. The balance of the cost is met from the fees charged to audited bodies for the work carried out by our trainees and apprentices.
- 79 A breakdown of how we use the WCF funding provided is set out in **Exhibit 9**.

Exhibit 9: Pan-Wales financial skills development (WCF)

	2025-26 £'000	2024-25 £'000	Change £'000
Trainee and apprentice secondments	355	343	12
Training costs	206	198	8
Programme management	319	309	10
Annual conference	20	20	-
Total funded from WCF	900	870	30

Note 3: Good Practice Exchange

- 80 We use funding provided by WCF to run our highly regarded Good Practice programme free of charge to public bodies and the third sector across Wales.
- 81 Staff time associated with this work is charged at fee rates in the same way as our audit work. The increase for 2025-26 reflects the proposed increase in fee rates from April 2025.
- 82 In 2024, we are running events focused on the role of Audit Committees and how they play a vital role in ensuring good governance arrangements. In addition, we are shaping the GPX programme around the themes included in the Auditor General's report 'From firefighting to future-proofing: The challenge for Welsh Public Services'. This report described areas to improve the use of public money that are consistently identified in our work.
- 83 We have continued to publish a range of good practice outputs through our blog, podcast and resource pages.
- 84 Full details of our upcoming events are detailed on our website.

Note 4: National Fraud Initiative

- 85 Since 2015, the Finance Committee has supported the principle of participation in NFI for all public bodies in Wales at no cost to those bodies. Our recent biennial report identified outcomes valued at £7.1 million across Wales's public services, increasing cumulative outcomes to £56.5 million since 1996.
- 86 Without this funding, the costs of carrying out this work would instead need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.
- 87 Funding for our NFI work is subject to alternate year increases/reductions to meet bi-annual Cabinet Office costs for data checking. 2025-26 will see a reduction of £130,000 as compared to 2024-25.
- 88 The cost of our audit work associated with the management of the NFI programme is included in the amount allocated for audit work in **Exhibit 8**.
- 89 A breakdown of the funding allocated for NFI is set out in **Exhibit 10**.

Exhibit 10: National Fraud Initiative cost breakdown

	2025-26 £'000	2024-25 £'000	Change £'000
NFI Application Checker (App Check)	50	50	-
Additional data matching	45	45	-
Payments to Cabinet Office (alternate years)	-	130	(130)
Total	95	225	(130)

Note 5: Non cash adjustments

Exhibit 11: Non cash adjustments 2024-25 to 2025-26

	2025-26 £'000	2024-25 £'000	Change £'000
Depreciation & interest	(408)	(396)	12
IFRS16 Capitalisation	(187)	-	(187)
Accommodation	-	(136)	136
Movements in working capital ⁴	40	200	160
Total non-cash adjustment	(555)	(332)	(223)

⁴ For 2025-26 this is the expected requirement to release a dilapidations provision for our West Wales office.

Our Medium-Term Financial Plan

- 90 Our medium term financial plan assumes that over the next two years, our audit resource will be maintained at 2025-26 levels whilst we seek to address the audit backlog that has arisen since the pandemic.
- 91 Once the backlog has been addressed then from 2027-28 we would expect to see reductions in both staff costs and fee income to reflect our 'steady state' unless we are able to explore opportunities for additional work. Options on how this reduction can be achieved will be reflected in our workforce strategy when it is reviewed at the end of 2025.
- 92 No provision has been included for future pay and price increases.

Exhibit 12: Medium Term Financial Plan 2025-26 – 2029-30

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000
Staff costs	23,360	23,360	21,760	21,760	21,760
Accommodation	718	718	718	718	718
T&S	352	352	352	352	352
NFI cyclical costs	-	130	-	130	-
Other costs	3,504	3,504	3,504	3,504	3,504
Total expenditure	27,934	28,064	26,334	26,464	26,334
Audit Fee Income	18,610	18,610	17,010	17,010	17,010
Total call on WCF (Revenue)	9,324	9,454	9,324	9,454	9,324
Total call on WCF (Capital)	467	280	280	280	280

Appendices

- 1 Revenue budget 2025-26
- 2 Draft Fee Scheme 2025-26

1 Revenue budget 2024-25

	Resource Estimate 2025-26 £'000	Cash 2025-26 £'000	Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Staff costs	24,568	24,568	23,444	23,444	1,124	1,124
Vacancy management	(1,208)	(1,208)	(1,132)	(1,132)	(76)	(76)
Travel and subsistence	352	352	303	303	49	49
Accommodation	718	718	731	595	(13)	123
Irrecoverable VAT	500	500	500	500	0	0
ICT	683	683	664	664	19	19
Audit Wales governance	345	345	320	320	25	25
External training	368	368	326	326	42	42
NFI annual costs	95	95	95	95	0	0
Depreciation & interest	408	0	396	0	12	0
Other supplies and services	1,305	1,305	1,248	1,248	57	57
Savings target	(200)	(200)	(400)	(400)	200	200
Cyclical NFI costs	-	-	130	130	(130)	(130)
Expenses total	27,934	27,526	26,625	26,093	1,309	1,433

Expenses

	Resource Estimate 2025-26 £'000	Cash 2025-26 £'000	Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Fee Income						
Audit Fees	17,612	17,612	16,494	16,494	1,118	1,118
Grant certification fees	998	998	982	982	16	16
INCOME TOTAL	18,610	18,610	17,476	17,476	1,134	1,134
Capital	280	280	310	310	(30)	(30)
Capital IFRS16	187	-	-	-	187	-
Movements in working capital	-	40	-	200	-	(160)
Total to be funded from WCF	9,791	9,236	9,459	9,127	332	109

2 Draft Fee Scheme 2025-26

Fee Scheme 2025-26

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Auditor General for Wales



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Chair, Wales Audit Office

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Introduction

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 This Fee Scheme sets out:
 - the enactments under which we charge audit fees (**Appendix 2**);
 - the arrangements for setting those fees, which comprise either;
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 3 Broadly, 67% of our expenditure is funded through fees charged to audited bodies. The remaining 33% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.
- 4 Legislation requires that the fees we charge a body **may not exceed** the full cost of exercising at that body 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. Our fee rates are set at a level to recover the estimated full cost but no more.
- 5 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.

- 6 As set out in our consultation on proposed fees in September 2024, you will remember that for 2024-25 we increased our average fee rates by 6.4% in order to respond to significant staff cost pressures exacerbated by a global shortage of audit and finance professionals, which was impacting our ability to recruit and retain qualified staff.
- 7 We are acutely aware of the pressures facing the bodies that we audit and have challenged our operating model to ensure that our audit fees continue to provide value for money whilst continuing to invest in audit quality which is central to all decisions we make.
- 8 For 2025-26 we have identified efficiencies which will help us keep the average increase in fee rates to under 1.7% as compared to the 1.8% increase anticipated in the consultation.
- 9 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. In 2023-24 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. We have now reviewed the implementation of this new audit approach and identified efficiencies which allow us to reduce our audit of accounts' fee scales for Unitary Authorities by an average of 3% in 2025-26.
- 10 We continue to make significant investment in audit quality to respond to UK-wide reviews⁵ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 11 We went beyond the statutory fee consultation requirements and, in September 2024, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2025-26.
- 12 We received just six responses, five of which were supportive of our proposals and one where no comment was made.
- 13 We have consulted separately with One Voice Wales⁶ on proposed changes to our fee scales for Town and Community Councils which reflect our experience of the new audit regime that we have been operating since 2020.

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

6 One Voice Wales is the representative body for Town & Community Councils in Wales.

Fee rates and fee scales

Fee rates 2025-26

14 Our proposed fee rates for 2025-26 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2025-26

Grade	Rate (£ per hour) 2025-26	Rate (£ per hour) 2024-25
Audit Director	183	179
Audit Manager	141	137
Audit Lead	115	112
Senior Auditor	91	91
Auditor	66	64
Graduate trainee	59	59
Apprentice	47	46

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

Local Government Fee scales 2025-26

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2024-25 financial accounts, together with fee funded performance audit work to be undertaken in 2025-26, are provided in **Appendix C** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work 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 calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.

- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.
- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

Charging of fees

- 26 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 27 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 28 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 29 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



Appendices

- A Public Audit (Wales) Act 2013 – full text of section 24**
- B List of enactments under which the Wales Audit Office may and must charge fees**
- C Fee Scales 2025-26**

A Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
 - (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly^[7].

⁷ The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
 - (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
 - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

B List of enactments under which Audit Wales may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998
	Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013

Nature of work	Enactments
The Wales Audit Office must prescribe fee scales for the following activities	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government & Elections (Wales) Act 2021

C Fee Scales 2025-26

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

- 30 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 31 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.
- 32 Our last [biennial report](#) identified potential savings and over-payments of £7.1 million across Wales's public services, increasing cumulative savings to £56.5 million since 1996.
- 33 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 2025-26
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

Unitary authorities

Exhibit 3: fee scale for the audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	141	166	191	171
200	170	200	230	205
300	189	222	256	229
400	204	240	276	247
500	217	255	293	262
600	227	267	308	275
700	237	279	320	287
800	245	289	332	297
900	253	298	343	307
1,000	260	306	352	315
1,100	267	314	361	324
1,200	273	322	370	331

Exhibit 4: fee scale for 2025-26 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	111	118	134	115 ⁸

Local Government Pension Funds

Exhibit 5: fee scale for audit of 2024-25 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	43	56	58	56

Fire and Rescue Authorities

Exhibit 6: fee scale for audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	41	49	56	50
40	50	59	67	60
60	55	65	75	67
80	60	70	81	72
100	63	75	86	77

Exhibit 7: fee scale for 2025-26 performance audit work

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

National Park Authorities

Exhibit 8: fee scale for audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	30	35	31
4	31	36	42	37
6	34	40	46	42
8	37	44	50	45
10	39	46	53	48

Exhibit 9: fee scale for 2025-26 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	23	26	24

Police and Crime Commissioners

34 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: fee scale for audit of 2024-25 accounts

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	71	82	93	84
100	84	97	110	100
150	92	107	122	110
200	99	115	131	118
250	105	122	139	125
300	109	127	145	131
350	114	132	151	136

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

- 35 Town and community councils in Wales are subject to a limited assurance audit regime. The audit arrangements are made to discharge the Auditor General's duties under the Public Audit (Wales) Act 2004. The audit is not commissioned by individual councils.
- 36 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
2024-25 audits	Full audit	Basic audit	Basic audit
2025-26 audits	Basic audit	Full audit	Basic audit
2026-27 audits	Basic audit	Basic audit	Full audit

- 37 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 32**.
- 38 **Exhibit 12** provides a range of fees for differing sizes of councils as measured by income and expenditure. These updated ranges take into account Audit Wales' experience of fees arising from the 2021-22 to 2023-24 audits.

Exhibit 12: estimated time charges for the audit of 2024-25 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	£250 - £500	£300 - £700	£500 - £900	£600 - £1,000	£600 - £1,250	£800 - £1,500
Limited procedures	£200 - £300	£200 - £300	£200 - £300	£250 - £350	£250 - £350	£250 - £350

Fee rates for other work in local government

- 39 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.
- 40 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.
- 41 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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