



**Supporting information for the
Estimate of Income and Expenses
for Audit Wales for the year
ended 31 March 2027**

October 2025

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Estimate summary

Overview of Estimate 2026-27

- 1 With this Estimate we are requesting an increase to our baseline call on Welsh Consolidated Fund (WCF) funding in 2026-27 of 3.5% resulting in an overall 2.9% increase in our resource requirements and a 4.6% increase in cash as compared to 2025-26.
- 2 The main drivers of the change in our call on the WCF for next year are set out in **Exhibit 3** on **page 13**: These are:
 - the increase in our fee rates associated with that part of our audit work funded from WCF;
 - inflationary pay increases;
 - investment in our 'Audit Horizons' programme; and
 - a further reduction in our capital investment requirements over and above that reflected in our Estimate for 2025-26.
- 3 Our 2025-26 Estimate allowed for an increase in our fee income of £1,134,000 (6.5%) to allow us to deliver more audit work than in a typical year as we reduce our backlog of audit work. As we expect to complete the delivery of our audit backlog during 2026-27 we will see an associated reduction in both our fee income and expenditure from the middle of that year.
- 4 More information on our proposals for fee income are set out on **page 9**.

Our response to the Statement of Principles

- 5 In May 2019, the Senedd Finance Committee issued a Statement of Principles for Directly Funded Bodies (DFBs) to consider when preparing their annual Estimates.
- 6 On 11 July 2025 the Cabinet Secretary for Finance and Welsh Language wrote to the Chair of the Finance Committee setting out the 3-year resource position for the Welsh Government budget. – an increase of 3% per year from 2026-27 to 2028-29 (1.2% per year in real terms).
- 7 The letter references the Office for Budget Responsibility's (OBR) forecast for a GDP deflator of 2.6% in 2025-26 and 1.7% in 2026-27 – this in the context of expected CPI inflation of 3.2% in 2025-26 and 1.9% in 2026-27.
- 8 The OBR is also forecasting increases to average earnings of 3.7% in 2025-26 and 2.2% in 2026-27.
- 9 The core message is that Welsh Government have a reasonable settlement for the next 3 years but that this needs to be seen in the context of substantial and growing pressures on the costs of delivering key public services.
- 10 Welsh Government are planning a 'business as usual' budget for 2026-27 to provide the next Senedd with additional resource to allocate to its priorities.
- 11 We have responded to the Statement of Principles, and the Cabinet Secretary's letter by:
 - identifying efficiencies in our organisational processes to minimise both the increase in funding requested from the WCF and our audit fees for 2026-27;
 - setting out in this document how we seek to maximise value for money at Audit Wales; and
 - providing evidence for changes in our funding requirements in 2026-27.

Value for money at Audit Wales

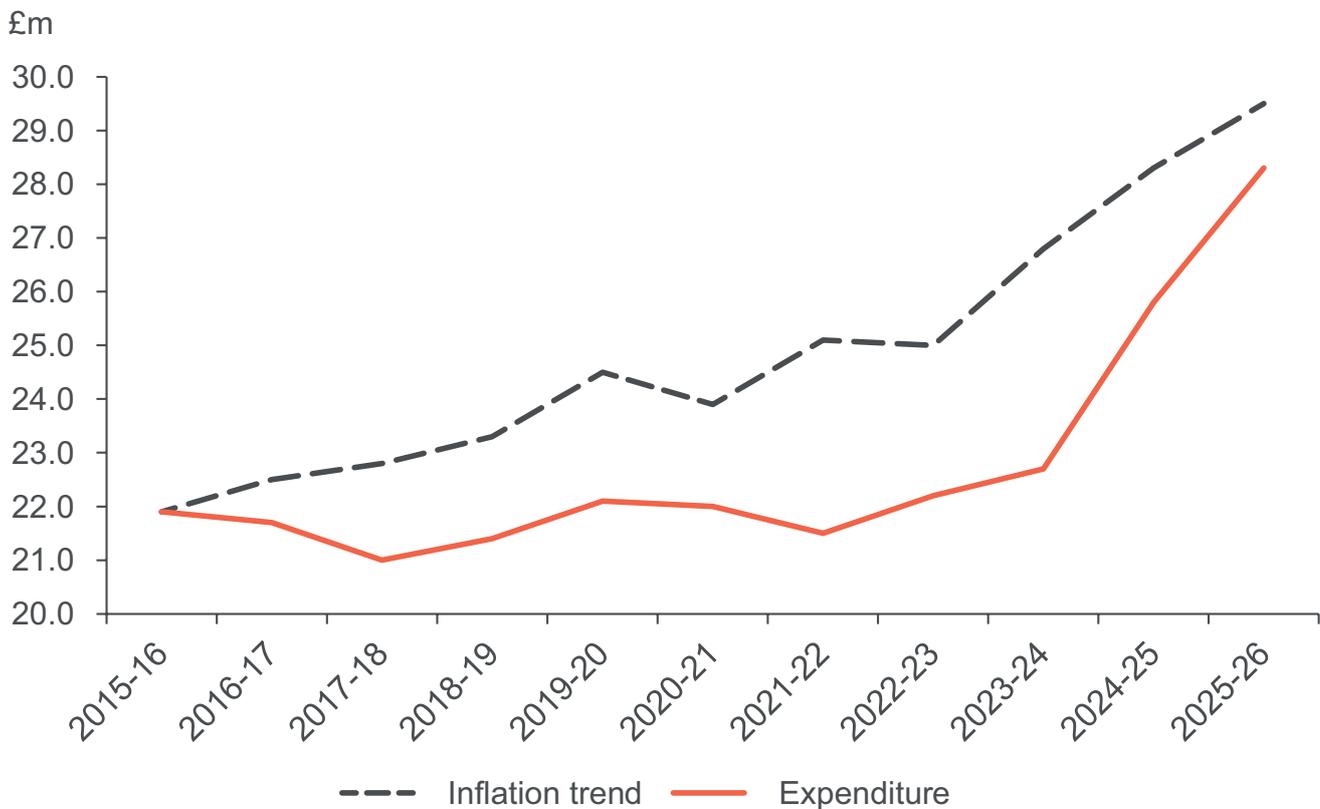
The value of public audit

- 12 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.
- 13 Audit provides the Senedd, public bodies and the public with an 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 increase.
- 14 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.
- 15 A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that public audit in Wales is in a much better and more cost-effective position.
- 16 But we cannot be complacent – we are still behind where we should be but we are now working through our backlog of audits at pace with the aim of clearing our audit backlog by the end of 2026. This is however subject to Local Government bodies being able to provide us with well supported draft accounts in a timely manner.
- 17 This Estimate is aimed at maintaining the momentum for this work but also keeps an eye to the audit of the future so that we do not prejudice the good progress currently being made.

Our performance to date

- 18 We are acutely aware of the importance of demonstrating that we bear down on our own costs and provide value for money.
- 19 At Audit Wales, we continually strive to provide world class public audit for the Welsh public sector in the most cost-effective way.
- 20 In the last ten years we have reduced the cost of public audit in Wales by 4% in real terms¹ 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 increases in 2024-25 and 2025-26 represent the additional investment in staff required to clear the backlog of audit work. This has been funded from fees rather than WCF.
- 21 The cumulative savings generated across those years amounts to over £21 million.

Exhibit 1: the cost of public audit 2015-16 to 2025-26



¹ Based on GDP deflators published by ONS, June 2025.

22 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-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 £200,000 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 across Wales, which better meet business needs, saving around £250,000 each year despite increased utility costs.
- 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.

23 For 2026-27, we have set ourselves an ambitious £300,000 savings target across our non-audit costs – equivalent to a further 7% reduction in our overheads.

Our budget 2026-27

Budget 2026-27

- 24 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 the WCF – more detail on which is provided in the next chapter.
- 25 This Estimate describes our total budget for 2026-27 including that part which is funded by fees. A draft Fee Scheme for 2026-27, which explains how fees will be charged to audited bodies, is appended to this document.
- 26 A summary of our revenue budget – along with detailed tables for each budget heading - is attached as **Appendix 1**. Further detail on our most significant costs is provided below.

Staff costs

- 27 Our budget makes provision for the employment of 293 full time equivalent (FTE) staff – as compared to 305 FTE in 2025-26. This reduction in staffing is linked to our plan to have addressed the backlog of audit work that built up during the Covid pandemic by the end of 2026. Our workforce strategy sets out our plans to manage this reduction through natural wastage, reduced recruitment and the use of short-term contracts to avoid redundancies where possible.
- 28 We have made provision for an inflationary pay uplift for our staff which will be the subject of negotiations with our Trade Unions in 2026.
- 29 We have also allowed for expected savings from in year staff turnover.
- 30 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.

Travel and Subsistence

- 31 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.
- 32 We have further reduced our budget for travel and subsistence in 2026-27 although this is being closely monitored as we move to more on-site working to ensure we maintain audit quality.

Accommodation

- 33 Audit Wales has 3 operational offices serving South, North and West Wales situated in Cardiff, Llandudno Junction and Penllergaer respectively. Over the last 3 years we have completed the rationalisation of our office space to reflect new hybrid ways of working – resulting in a reduction in expenditure of over £250,000 each year.

Audit Fees

- 34 For 2026-27 we plan for around 64% 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 the WCF towards our running costs.
- 35 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.
- 36 The income we receive from fees is governed by a Fee Scheme, which legislation requires us to publish at least on an annual basis.
- 37 Included within this Estimate document is our draft Fee Scheme for 2026-27 (**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 2026-27 before the Senedd and then confirm estimated fees for next year to our audited bodies.
- 38 In September 2025, we consulted all audited bodies and representative groups on our proposed fee scales for 2026-27 which made allowance for an estimated increase in our fee rates of 5.5%.

- 39 This increase followed a significantly below inflation increase on fee rates of just 1.7% in 2025-26 as we increased the number of audit staff to help address the post Covid backlog of audit work. Those additional staff meant that that our organisational overheads were spread more thinly, hence contributing to an increase in fee rates well below inflation.
- 40 Across the two years – 2025-26 and 2026-27 – the increase in our fee rates has been 7.1% as compared to CPI inflation of 8% over the same period.
- 41 As set out above, we plan to have cleared this backlog by the end of 2026 with a consequential reduction in the number of audit staff and hence increase in fee rates as we have a lower base over which to recover our overheads. This is a direct consequence of our annual funding regime and legal requirement to charge no more than the full cost of our audit work in any one year.
- 42 We have mitigated the impact of this by setting an ambitious savings target of £300,000 for our non-audit costs.
- 43 We received 17 responses of which 10 highlighted the above inflation increase in fee rates for 2026-27. The Auditor General intends to write to audited bodies to explain the reasons for this increase and what we are doing to mitigate the impact on audit fees.
- 44 The Board has reflected on these responses and has responded by reducing the proposed increase to an average of 5.3% and requiring a higher level of savings to be identified.

Capital investment

- 45 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.
- 46 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 we have been able to further reduce our requirement for capital investment from 2026-27.
- 47 We have an established change programme within Audit Wales to provide effective management of upcoming change projects. Our planned capital expenditure for 2026-27 and beyond is set out in **Exhibit 2**.

Exhibit 2: capital investment 2025-26 to 2028-29

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000
Change Programme	180	80	80	80	80
ICT Strategy	100	100	100	100	100
IFRS16 re West Wales office	187	-	-	-	-
Total	467	180	180	180	180

48 A detailed breakdown of planned expenditure in 2026-27 is set out below:

	2025-26 £'000
Change Programme	
Audit digitalisation	53
Office accommodation upgrades	12
New learning management system	15
ICT replacement	100
Total	180



Our call on WCF 2026-27

How we use WCF

- 49 Around 36% 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.
- 50 Our proposed use of the WCF for 2026-27 as it compares to 2025-26 is set out in **Exhibit 3**.
- 51 In addition, all capital investment is funded directly from WCF.

Exhibit 3: changes in our call on the WCF 2026-27

	2026-27 £'000	2025-26 ² £'000	Change £'000	Commentary
Funding for audit work not funded through fees	5,013	4,762	251	Note 1
Funding for wider public sector benefit:				
• Pan Wales financial training	927	900	27	Note 2
• GPX	652	621	31	Note 3
• NFI annual costs	95	95	-	Note 4
Contributions to running costs				
• Staff L&D	800	800	-	Contribution from WCF to time and cost – assumes unchanged
• 2019-20 pension increase	732	732	-	Funded by Treasury since 2019-20 – No change
• 2025-26 NI increase	389	389	-	Assumes continued funding from WCF
• Board & associated costs	320	345	(25)	Returns Board evaluation funding in 2025-26
• All Wales travel equalisation	200	200	-	Unchanged
• WCF control/ compliance, audit quality, travel time	311	300	11	WCF contribution to costs - reflects pay increase
• Data Analytics	220	214	6	WCF contribution to costs - reflects pay increase
• Cyber Security	180	180	-	Unchanged
• Translation	90	90	-	Unchanged
• Audit Horizons	150	-	150	Note 5
• IFRS16 Depreciation	88	85	3	Reflects West Wales office move
• Capital investment	180	280	(100)	See Exhibit 2 on page 11

	2026-27 £'000	2025-26 £'000	Change £'000	Commentary
Baseline WCF	10,347	9,993	354	3.5% increase
NFI cyclical funding	130	-	130	Note 4
IFRS16 capital re West Wales office	-	187	(187)	Non-cash reduction
Total WCF (Resource)	10,477	10,180	297	2.9% increase
Non-cash adjustments	(411)	(555)	144	Note 6
WCF Cash	10,066	9,625	441	4.6% increase

Note 1: Audit work

- 52 Most of our audit work (64%) 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.
- 53 Audit work funded from the WCF is costed on the same basis – i.e. using the fee rates calculated to recover no more than full cost and hence has been increased in line with our proposed 5.3% fee rate increases for 2026-27.
- 54 Audit work funded through the 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 2025-26.
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.

Note 2: Pan-Wales financial skills development

- 55 Funding from the WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 56 The increase for 2026-27 allows for an inflationary pay increase from April 2026.
- 57 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.
- 58 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees to 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.
- 59 Since 2015 we have welcomed 11 cohorts of trainees and 8 cohorts of apprentices to Audit Wales with a total of 191 young people being offered the opportunity to study for a professional accountancy qualification. To date, 8 of those cohorts have completed their training with 71 of our former trainees now being fully qualified accountants and 18 apprentices have completed their AAT qualification. Of these, 51 were offered roles at Audit Wales and 33 remain in post.
- 60 In August 2025, 12 new graduates and 4 apprentices joined Audit Wales.
- 61 The total cost of our graduate and apprentice programme for 2025-26 is £3.2million of which £927,000 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.
- 62 A breakdown of how we use the WCF funding provided is set out in **Exhibit 4**.

Exhibit 4 – Pan-Wales financial skills development (WCF)

	2026-27 £'000	2025-26 £'000	Change £'000
Trainee and apprentice secondments	370	355	15
Training costs	206	206	-
Programme management	331	319	12
Annual conference	20	20	-
Total funded from WCF	927	900	27

Note 3: Good Practice Exchange

- 63 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. The funding supports the small team that directly manages the programme and the considerable time invested by other staff to support events and activities designed to share learning from our work.
- 64 Staff time associated with this work is charged at fee rates in the same way as our audit work. The increase for 2026-27 reflects the proposed increase in fee rates from April 2026.
- 65 In 2025, our programme of work focuses on the themes of the Auditor General's report 'From firefighting to future-proofing: The challenge for Welsh public services'. Those themes include the cost of failure in financial management and governance, prioritising prevention, tackling fraud and error and the complex public service landscape. We will also deliver events focusing on how we work together to produce quality and timely Local Government accounts.
- 66 We have continued to publish a range of good practice outputs through our blog, podcast and resource pages.
- 67 Full details of our upcoming events are detailed on our website.

Note 4: National Fraud Initiative

- 68 Since 2015, the Finance Committee has supported the principle of participation in the NFI for all public bodies in Wales at no cost to those bodies. Our most recent biennial report identified outcomes valued at £7.1 million across Wales's public services, increasing cumulative outcomes to £56.5 million since 1996.
- 69 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.
- 70 Funding for our NFI work is subject to alternate year increases / reductions to meet bi-annual Cabinet Office costs for data checking. 2026-27 will see an increase of £130,000 as compared to 2025-26.
- 71 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 3**. Table 5 in **Appendix 1** provides a full cost breakdown.

Note 5: Audit Horizons

- 72 Audit Horizons has been developed in response to an ever-evolving audit landscape. A landscape that will be shaped by new and rapidly changing technologies (including artificial intelligence); increasing demands for sustainability reporting and for assurance over that reporting; ever-growing regulatory requirements; alongside increasing public expectations of audit and accountability arrangements.
- 73 These developments will also require us to examine the skills we will have to develop in response, consider how our workforce will need to evolve and to review the shape of Audit Wales over the longer-term (as the public sector itself will need to transform over the coming years and decades).

- 74 Our internal Audit Horizons project seeks to bring together those known and emerging developments shaping our audit work.
- 75 Audit Horizons also identifies our current and future potential audit investment needs and provides a framework to evaluate the success of those planned developments. Audit Horizons will be updated at least annually as new plans are developed and refined in response to this changing landscape.
- 76 Our five-year Strategy provides the direction for Audit Horizons, and Audit Horizons in turn feeds into our other strategies and plans informing their priorities and future direction.
- 77 We have developed a Vision that places technology at the core of our work. It sets the direction for Audit Horizons and defines our ultimate ambition as being the delivery of high-quality audit.

Our Vision

A high-quality audit:

- is **compliant** with professional standards and regulatory expectations
- is **efficient** and achieves value for money
- provides timely **insights** and achieves **sustainable impact**



... is achieved:

- with a highly **skilled and talented workforce**
- through **rigorous** and **innovative** audit approaches
- through a **data-driven** approach using **modern digital tools**

- 78 Audit Horizons provides a framework to allow us to enable each of those drivers and to determine how best to direct our available investment into new digital tools, skills development and other areas as necessary.
- 79 To fully achieve this Vision we have estimated additional investment requirements of over £800,000. We recognise that this level of funding is unlikely to be available and hence are allocating £150,000 in our 2026-27 Estimate to allow us to start this journey. We will also look to re-prioritise existing resources where we can to invest further in this ambition.

Note 6: Non-cash adjustment

- 80 In our 2025-26 Estimate, non-cash movements included reductions of £408,000 for depreciation and interest (including that associated with IFRS16) and £187,000 for the IFRS16 capitalisation requirement associated with our West Wales office move. These were offset by a £40,000 increase in our cash requirement for the release of a provision held in respect of dilapidations on our vacated West Wales office.
- 81 For 2026-27, the only non-cash adjustment is in respect of depreciation and interest. (See **Appendix 2**, Table 6)

Our Medium-Term Financial Plan

- 82 Our medium-term financial plan (MTFP) assumes that our audit work backlog will be cleared by the end of 2026 and that by 2027-28 we will have achieved a steady state of delivering one years' audit work in each financial year.
- 83 A strategic workforce plan has been developed to help us manage this process as well as ensuring that we have a workforce that is fit for the future.
- 84 As set out in Note 5 above, developing technology could have significant impact on the way that we deliver our audit work in the future. That change may require investment post 2026-27 to ensure that we are able to take advantage of emerging technologies and the efficiencies in audit delivery that these could deliver.
- 85 The pace and extent of any such change will depend as much on the digital readiness of our audited bodies as on Audit Wales. Indeed, far more important for them than any improvement in audit efficiency will be the strengthened governance and decision making made possible by better core systems and use of digital technology. There are significant weaknesses in this area in many parts of the public sector and this will affect our assessment of the cost and potential of investment on our part.
- 86 Given that uncertainty, we have not included in this Estimate the MTFP table seen in previous years. The Board is prioritising the development of our thinking around the potential for change and its implications so that this can be reflected in our Estimate for 2027-28 and beyond.

Appendices

- 1 Resource Budget 2026-27
- 2 Draft Fee Scheme 2026-27

1 Resource Budget 2026-27

	Budget 2026-27 £'000	Budget 2025-26 £'000	Year on Year Change £'000	See Table
Staff costs	24,500	23,749	751	1
Travel and subsistence	217	352	(135)	
Accommodation	731	718	13	2
Irrecoverable VAT	500	500	-	
ICT	654	683	(29)	3
Audit Wales governance	320	345	(25)	-
External training	443	368	75	4
NFI annual costs	95	95	-	5
Depreciation & interest	411	408	3	6
Other supplies and services	1,087	1,305	(218)	
Savings target	(300)	(200)	(100)	
Cyclical NFI costs	130	-	130	5
Expenses total	28,788	28,323	465	

Expenses

	Budget 2026-27 £'000	Budget 2025-26 £'000	Year on Year Change £'000	See Table	
Fee Income	Audit Fees	17,440	17,612	(172)	
	Grant certification fees	1,051	998	53	
	INCOME TOTAL	18,491	18,610	(119)	
Capital	180	280	(100)	Exhibit 2	
Capital IFRS16	-	187	(187)	Exhibit 2	
Total to be funded from WCF	10,477	10,180	297	Exhibit 3	

Table 1: Staff costs

	2026-27	2025-26	Change
	£'000	£'000	£'000
Staff salaries including pension and NI	25,154	24,228	926
Savings from staff turnover	(1,258)	(1,208)	(50)
Short term contract staff	604	729	(125)
Total staff costs	24,500	23,749	751

Table 2: Accommodation

	2026-27	2025-26	Change
	£'000	£'000	£'000
Lease rental	283	283	-
Business Rates	149	149	-
Utilities and other accommodation costs	299	286	13
Total accommodation	731	718	13

Table 3: ICT

	2026-27	2025-26	Change
	£'000	£'000	£'000
Cloud infrastructure	200	200	-
IT Business Applications	158	195	(37)
Cyber security	195	195	-
Hardware, line rentals and other IT costs	101	93	8
Total ICT	654	683	(29)

Table 4: External training

	2026-27	2025-26	Change
	£'000	£'000	£'000
Professional Studies FA trainees	206	206	-
Organisational development	199	159	40
Technical training	38	3	35
Total external training	443	368	75

Table 5: NFI

	2026-27	2025-26	Change
	£'000	£'000	£'000
NFI Application Checker (App Check).	50	50	-
Additional data matching	45	45	-
Payments to Cabinet Office (alternate years)	130	-	130
Total NFI	225	95	130

Table 6: Depreciation and interest (non cash)

	2026-27	2025-26	Change
	£'000	£'000	£'000
Depreciation	320	320	-
Depreciation and interest (IFRS16)	291	288	3
Lease rental payments (cash)	(200)	(200)	-
Total Depreciation and interest	411	408	3

2 Draft Fee Scheme 2026-27

Fee Scheme 2026-27

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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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, 64% of our expenditure is funded through fees charged to audited bodies. The remaining 36% 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 2025, you will remember that for 2025-26 we identified efficiencies which allowed us to increase our fee rates by less than 1.7% despite facing inflationary pressures on our cost base, amplified by fierce competition for public sector auditors, and ever-increasing quality demands. At the same time, our review of the new ISA315 audit approach allowed us to **reduce** our actual fees for the audit of accounts by an average of 3%.

- 7 For 2026-27 we are having to increase our fee rates by an average of 5.3% to meet that same combination of inflationary pressures on our cost base and quality expectations. For a large unitary authority with a turnover of £1billion, this will translate into a cash increase in our typical audit fee of just £14,000. For a smaller body such as a Fire & Rescue Authority, the increase equates to around £2,000.
- 8 Taken together, our fee rates over the 2 financial years – 2025-26 and 2026-27 - will have increased by 7.1%. The efficiencies that we have driven in our work mean that despite this increase in fee rates, the average fee for our audit of accounts work will have increased by **just over 2%** over that 2-year period.
- 9 A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that the position of public audit in Wales is in a much better and more cost-effective position.
- 10 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.
- 11 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
- 12 We went beyond the statutory fee consultation requirements and, in September 2025, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2026-27.
- 13 We received 17 responses of which 10 expressed concerns about the above inflation increase in fee rates for 2026-27. The Auditor General has written to all respondees to explain the reasons for this increase and what we are doing to mitigate the impact on audit fees.
- 14 The Board has reflected on these responses and has responded by identifying further efficiencies to reduce the proposed increase to an average of 5.3%.
- 15 Our fees in Wales must also be considered against the position in England where the PSAA³ announced fee increases of 151% for the audit of 2023-24 accounts followed by 9.5% increases for 2024-25 and recently announced 4% increase for 2025-26.

Fee rates and fee scales

Fee rates 2026-27

1 Our proposed fee rates for 2026-27 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2026-27

Grade	Rate (£ per hour) 2026-27	Rate (£ per hour) 2025-26
Audit Director	187	183
Audit Manager	144	141
Audit Lead	118	115
Senior Auditor	95	91
Auditor	72	66
Graduate trainee	63	59
Apprentice	49	47

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

Local Government Fee scales 2026-27

- 3 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.
- 4 Fee scales for the audit of 2025-26 financial accounts, together with fee funded performance audit work to be undertaken in 2026-27, 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.
- 5 A separate fee scale is provided in relation to the NFI.
- 6 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.
- 7 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.
- 8 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.
- 9 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.

- 10 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.
- 11 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.
- 12 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

- 13 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.
- 14 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.
- 15 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 16 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 2026-27

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;
 - (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 WAO:
 - (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^[4].

4 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

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

Nature of work	Enactments
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
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 2026-27

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

- 17 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 18 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.
- 19 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.
- 20 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 2026-27
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 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	146	172	198	166
200	176	207	238	200
300	196	230	265	222
400	211	249	286	240
500	224	264	303	255
600	235	277	319	267
700	245	289	332	279
800	254	299	344	289
900	262	309	355	298
1,000	270	317	365	306
1,100	277	325	374	315
1,200	283	333	383	322

Exhibit 4: fee scale for 2026-27 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	114	121	137	118

Local Government Pension Funds

Exhibit 5: fee scale for audit of 2025-26 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	44	58	61	56

Fire and Rescue Authorities

Exhibit 6: fee scale for audit of 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	43	50	58	49
40	52	61	70	59
60	57	68	78	65
80	62	73	84	70
100	66	77	89	75

Exhibit 7: fee scale for 2026-27 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	20	21	24	18

National Park Authorities

Exhibit 8: fee scale for audit of 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	27	31	36	30
4	32	38	43	36
6	36	42	48	40
8	38	45	52	44
10	41	48	55	46

Exhibit 9: fee scale for 2026-27 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	24	27	23

Police and Crime Commissioners

- 21 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 2025-26 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	74	85	96	82
100	87	100	114	97
150	96	111	126	107
200	103	119	136	115
250	108	126	144	122
300	113	132	150	127
350	118	137	156	132

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

- 22 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.
- 23 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

- 24 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 30.
- 25 **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 2024-25 audits.

Exhibit 12: estimated time charges for the audit of 2025-26 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- £1,010	£600- £1,260	£800- £1,510
Limited procedures	£200- £300	£200- £300	£200- £300	£250- £350	£250- £350	£250- £350

Fee rates for other work in local government

- 26 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.
- 27 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.
- 28 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.