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Dear Colleagues

Audit Fees Consultation 2026-27

Over the summer we consulted all our audited bodies, along with other stakeholders, on our proposed fee rates for 2026–27 and the resulting fee scales for local government bodies. Our consultation proposal was to increase our fee rates (i.e. the charge out rates of Audit Wales staff) by 5.5%, This was driven by a combination of inflationary pressures on our cost base and heightened quality expectations.

We received 17 responses, 10 of which highlighted that the proposed fee rates for 2026-27 represent an increase greater than the expected rate of inflation. Respondents also queried how the cost of audit by Audit Wales compares with those from other providers and what Audit Wales is doing itself to minimise cost increases.

The Audit Wales Board and I are very grateful for all the feedback received and take the points raised extremely seriously. In the light of the consultation responses received, I am pleased to say that the final Fee Scheme that we will present to the Senedd's Finance Committee will reflect a lower fee rate increase of 5.3%. This will be achieved by Audit Wales increasing further what was already a stretching spending reduction and efficiency target for itself.

This letter sets out our responses to the main issues raised during the consultation and advice on how audited bodies can further minimise their audit costs.

How we set fees

It is important to note that an increase in fee rates does not necessarily mean that the audit fee for your organisation will rise by 5.3%. The fee charged is based on an estimate of the volume of work and the skills mix required to deliver the audit. For the audit of accounts in particular, this estimate is influenced by the quality of the

accounts and supporting working papers submitted for audit, as well as the timeliness with which audit queries are resolved. Similarly, the cost of a performance audit project can be reduced by timely submission by your organisation of information requested by the audit team and positive engagement with key officers. If the final cost of the audit is lower than estimated, we will issue a refund. Conversely, if the outturn exceeds the estimated fee, an additional charge may be necessary.

For the 2024-25 accounts audits, in some cases, we were able to set audit fees that were lower than those estimated in the previous year's audit plans. These reductions typically reflected efficiencies achieved in the accounts preparation and audit process, which had enabled us to refund part of the 2023-24 fee and rebase our estimate for 2024-25.

I cannot overstate how important this is in minimising the cost of audit. I am statutorily obliged to charge no more than the actual cost of the work we undertake. Hence, if your organisation is well prepared for audit, and if your accounts, systems and supporting information are of good quality and delivered in timely fashion, your audit should be smoother and swifter. If the opposite is the case, we will need to undertake more work and your audit fee will be commensurately higher. Your audit team will be happy to explore how such efficiencies might be identified within your organisation.

Why are Fees rates increasing more than inflation?

The top organisational priority for Audit Wales over the last two years has been to eliminate the backlogs of work that built up during and since the Covid pandemic. This is so that you have audited accounts on which to base decisions delivered in line with statutory deadlines, and performance audit work that is relevant and timely.

To tackle those backlogs we temporarily increased the number of CCAB qualified audit staff we employ. As our overheads must be recovered across the total number of audit staff, this increase enabled us to limit the rise in fee rates this year (2025-26) to just 1.7%, despite facing inflationary pressures of nearly 4%. Additionally, we identified efficiencies in our audit of accounts approach, allowing us to reduce fee scales for this work by an average of 3%, even with the modest increase in fee rates.

Next year we will see the opposite effect. By the end of 2026, we expect to have cleared most of the post-pandemic backlog, and we are reducing our audit staffing accordingly. This will mean fewer staff across whom overheads can be recovered. This is the main reason for the above-inflation increase in fee rates for 2026-27. Across the two years – 2025-26 and 2026-27 – however, you will note that next year's higher rate increase comes after a rise considerably lower than inflation in 2025-26.

To mitigate the impact of next year's increase, we have set an ambitious target to reduce our overheads by over 7% in 2026-27. As already mentioned, following the fee consultation, we have revisited our cost and savings assumptions and reduced our proposed increase in fee rates from 5.5% to 5.3% - although this remains subject to consideration by the Senedd Finance Committee.

Fee comparison

We are often asked how our fees benchmark against other audit providers.

Quality pressures, and the consequent fee increases, are common across both the public and private sectors. These pressures include more demanding auditing standards and enhanced regulatory oversight; responses to audit failures and public trust issues in the private sector that have impacted the entire profession; skills shortages leading to recruitment and retention challenges; and increased complexity within the audit environment.

A recent study by [The Audit Reform Lab](#), based at the University of Sheffield, assessed the performance of the local public audit system in England and drew comparison with the position in Scotland and Wales.

One of the report's observations was that Wales:

"...appears to provide a cost effective, reliable and robust public audit of local authorities, that is now price and performance competitive with private auditors."

Annex 1 includes the relative fee rates from our fees consultation compared with those for English local government bodies. The tables in **Annex 1** show clearly that fee rates in Wales are very significantly lower than those being charged to English local government bodies.

While it is important to highlight how our fee rates compare with publicly available information on audit fees elsewhere, our primary focus remains ensuring that our audits deliver value for money for the Welsh taxpayer while enabling us to maintain a high-quality service. As Auditor General, I am very confident that this is the case.

Cost reduction

We recognise that public bodies are themselves facing considerable financial pressures and that any increase in audit fees will not be welcome. I fully understand, therefore, that we need to demonstrate what we are doing to control our own costs.

A significant focus for us is to reduce our cost base, while maintaining audit quality standards. Over the past ten years, we have reduced the cost of public audit in Wales by 4% in real terms, despite an expanded scope of work, and the higher audit quality requirements I have highlighted. Since I took up post as Auditor General in 2018, key savings we have delivered include:

Reshaping our workforce: We have reduced the proportion of directors and managers thus reducing the overall cost of audit.

Investing for the future: At the same time, we have also invested in our graduate and apprentice development programmes. These provide opportunities for school leavers and graduates in Wales, improve social mobility, and help develop auditors for the future and future financial managers for the Welsh public sector. Many of the people we have trained have moved successfully into finance positions in other Welsh public bodies.

In-sourcing audit work: Since 2021–22, we have ceased using private sector firms for audit delivery. This makes us unique among UK public audit bodies and has protected the public purse in Wales from the significant price increases charged by private providers contracted to deliver work in the public sector elsewhere in the UK.

Reducing travel costs: We have cut travel expenditure from £1.2 million in 2019-20 to just over £200,000 in our coming Estimate. This was achieved through a significant change in the terms and conditions of Audit Wales staff and by changing how we work to minimise travel, delivering both environmental and cost benefits.

Smaller, more efficient offices: We have moved to smaller, cheaper and more energy-efficient offices across Wales, saving around £250,000 annually despite rising utility costs.

Challenging non-pay budgets: More generally, we continually review our operating model and non-pay budgets to identify and deliver efficiencies wherever possible.

Investing in technology

Investing in technology is central to enhancing audit quality and efficiency, with data analytics playing an increasingly important role. However, inconsistent data quality across public bodies remains a challenge - one we are working to address in collaboration with other audit bodies across the UK and Republic of Ireland. A recent AI pilot has delivered promising results, although we are taking a cautious approach to development, mindful of the risks associated with AI adoption. In the shorter term, our focus is on delivering better quality outcomes through targeted improvements; in the longer term, we aim to embed sustainable efficiencies into our work through smarter use of digital tools.

Once again, however, our ability to apply the potential of technology to our work depends equally on the readiness of our audited bodies. Many audited bodies operate financial and management information systems that are outdated, meaning that the benefits of new technology on our part will be hard to achieve. Whilst I appreciate the financial pressure that public bodies face, I very much hope that investment in such infrastructure will be prioritised. A more efficient audit process would be one small benefit, but far more important, of course, would be the associated strengthening of organisational governance and informed decision-making for our audited bodies.

Proportionality

Some smaller bodies raised concerns during the consultation that their audit fees appeared disproportionate to their size. While I understand and empathise with these concerns, it is important to emphasise that our audit approach is determined by professional auditing standards, which do not permit the application of a different methodology for smaller organisations.

In practice, some smaller bodies can also present complexities and risks that are not necessarily reflected by their size, and these factors can influence the cost of audit delivery.

We are aware of various initiatives - both from the Financial Reporting Council and international standard-setters – which are exploring how audit can be made more proportionate. We are monitoring and engaging with these developments.

I hope this response helps to clarify the various issues raised during the fees consultation. If you have any further questions, please do not hesitate to contact either myself or Ann-Marie Harkin, Executive Director of Audit Delivery.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a horizontal line underneath.

ADRIAN CROMPTON
Auditor General for Wales

Annex 1: fees comparison

Table 1: Audit Wales proposed fee rates 2026-27

Grade	Rate (£ per hour) 2026-27	Rate (£ per hour) 2025-26
Audit Director	189	183
Audit Manager	146	141
Audit Lead	120	115
Senior Auditor	96	91
Auditor	66	66
Graduate trainee	63	59
Apprentice	50	47

Source: [Consultation on Fee Scales 2026-27](#)

Table 2: PSAA rate card for 2024-25 audits

Grade of Staff	Hourly Rate
Partner/Director	£428
Senior Manager/Manager	£236
Senior Auditor	£153
Other Staff	£117

Source: [Rate card - PSAA](#)

Note

Public Sector Audit Appointments Ltd (PSAA) is an independent, not-for-profit company established by the Local Government Association (LGA) in England. One of its main roles is to set audit fees for local government bodies in England. PSAA reported that around 98% of eligible local government bodies have opted in to its fee scheme.