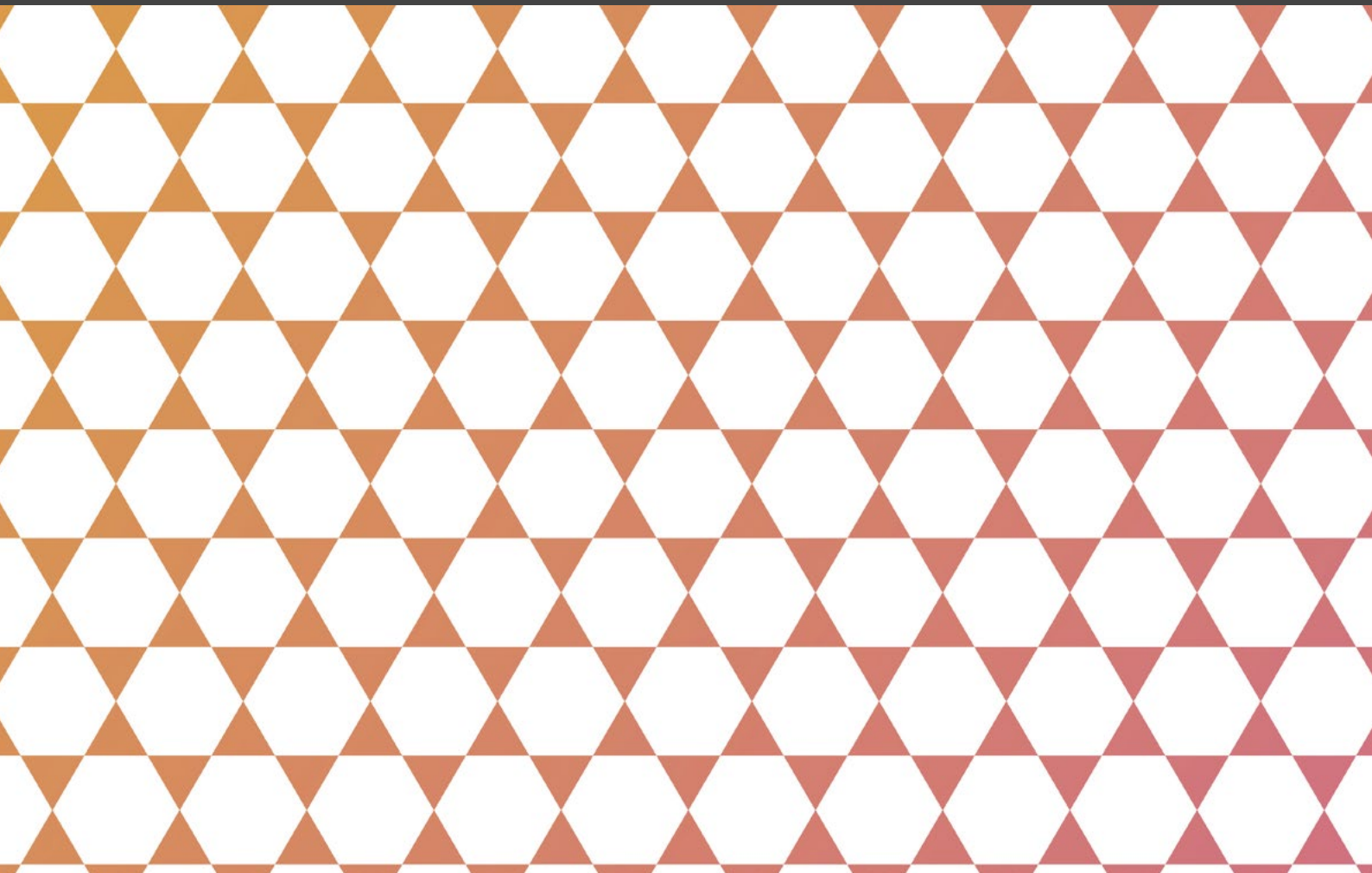


Archwilydd Cyffredinol Cymru
Auditor General for Wales

Estimate of the income and expenses for the year ended 31 March 2019



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



Jointly prepared and laid before the National Assembly for Wales under
Section 20(1) 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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Huw Vaughan Thomas
Auditor General for Wales

Isobel Garner
Chair, Wales Audit Office

Preface

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office to jointly prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the National Assembly at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the National Assembly may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- the Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the National Assembly under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

A draft Fee Scheme, prepared under Section 24 of the Public Audit (Wales) Act 2013, is included for consideration alongside the Estimate in view of their interdependency.

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Foreword

The Board of the Wales Audit Office has prepared this Estimate jointly with the Auditor General, fulfilling our statutory remit to provide resources to the Auditor General and to secure resources for our own work programme.

The Auditor General's aim is to enable the National Assembly and the people of Wales to know whether public money is being managed wisely. Through this document, the Wales Audit Office re-affirms its commitment to play its part in a time of austerity whilst protecting the public pound and working with our audited bodies to secure on-going improvement in the services they deliver.

The £21.6 million spent annually on the Wales Audit Office represents just one thousandth of the £18 billion spent on Wales's public services annually. The vital role of independent audit is never more heightened than when resources are scarce and sound decision making is ever more crucial in positively impacting on people's lives.

There is a direct dependency between our Estimate, as approved by the National Assembly's Finance Committee, and the fee rates we propose for audit work. Within this document, we include a draft Fee Scheme so that the Finance Committee can consider it alongside the Estimate. The fee rates and statutory fee scales shown have been subject to consultation not only with local government bodies, as required by statute, but with all other audited sectors too. By reviewing our audit approach and seeking to make greater use of data and technology, we are seeking to reduce our audit fees over time whilst still ensuring audit quality for all audited bodies.

The Wales Audit Office is acutely aware of the funding restraint faced by the Welsh public sector. We have reallocated existing resources and identified further cost savings in order to meet our strategic priorities and other cost pressures. As a result we are not seeking any additional funding above the amount requested for 2017-18, other than for cyclical costs associated with the National Fraud Initiative.

For the last three years, we have received transitional dedicated funding to develop our approach to auditing delivery against the Well-being of Future Generations Act without necessitating the charging of fees to our audited bodies. This development work will be completed during 2017-18 and going forward, any audit work required will be funded from the fees charged to audited bodies. In most cases this will be at no extra cost, but for some central government bodies there will need to be a proportionate increase in the fees charged, reflecting a completely new and additional area of audit activity with those bodies.

In March 2017 we set out our key priorities, objectives and performance measures in our [Annual Plan for 2017-18](#). This Estimate is designed to show how our forward priorities for 2018-19, will be delivered in the year. Our updated Annual Plan for 2018-19 will be laid before the National Assembly in March 2018.



Isobel Garner
Chair, Wales Audit Office



Huw Vaughan Thomas
Auditor General for Wales

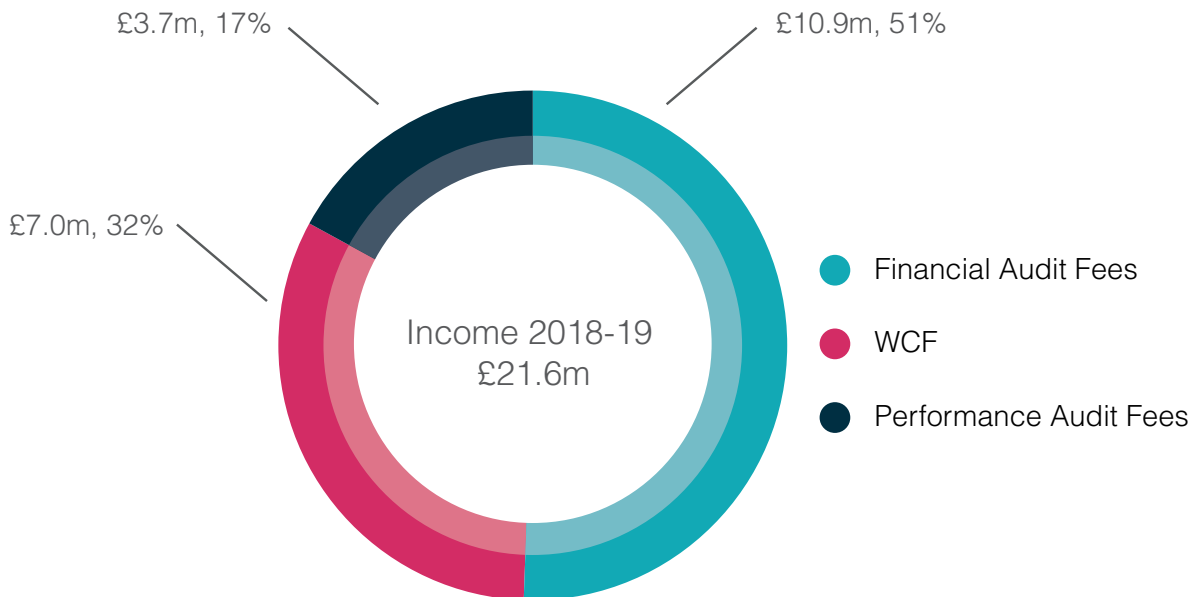
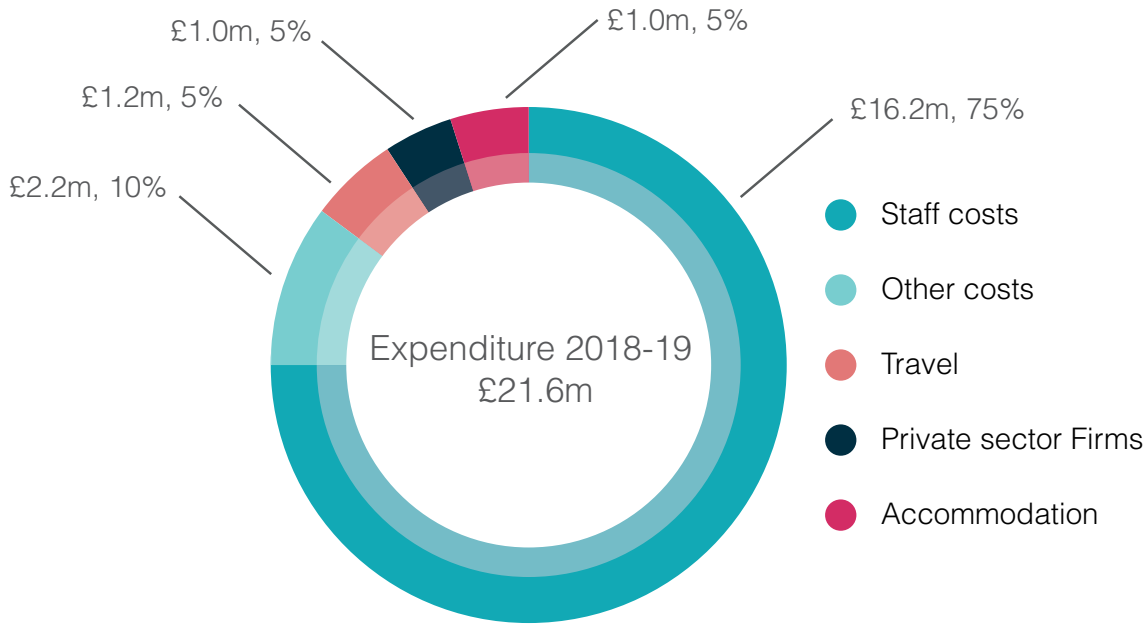
Our work

- 1 As the statutory external auditor for most of the public sector in Wales, the Auditor General is responsible for the audit of the majority of public money spent in Wales.
- 2 The Wales Audit Office is required to provide the Auditor General with the resources he needs to undertake his work effectively. The majority of our costs relate to the staff we employ, our contractors, the delivery of audit services across Wales and providing the necessary infrastructure and support services to deliver the work. Further detail can be found in [Appendix 1](#).
- 3 Every year, the Auditor General reports on the accounts of over 800 public bodies in Wales, undertakes annual improvement assessments at all 28 local government improvement authorities and structured assessments at all 10 NHS bodies. He publishes around 14 national reports annually, looking at value for money and proper use of public money, certifies around £2.5 billion worth of grant claims, and advises on the work of the Public Accounts Committee. The main operational activities of the Auditor General are set out in [Appendix 2](#).
- 4 It is this work that provides the quantum over which the Wales Audit Office costs are recovered, by way of fee charges to audited bodies and funding from the Welsh Consolidated Fund (WCF).
- 5 The Board provides highly skilled staff to undertake around 90% of the Auditor General's work programme, complemented by a further 10% of audit resource contracted from private sector accountancy firms and specialist contractors.
- 6 Our Annual Plan for 2017-18 sets out our strategic priorities, and this Estimate for 2018-19 demonstrates the funding needed to meet those priorities for next year.

Value for money at the Wales Audit Office

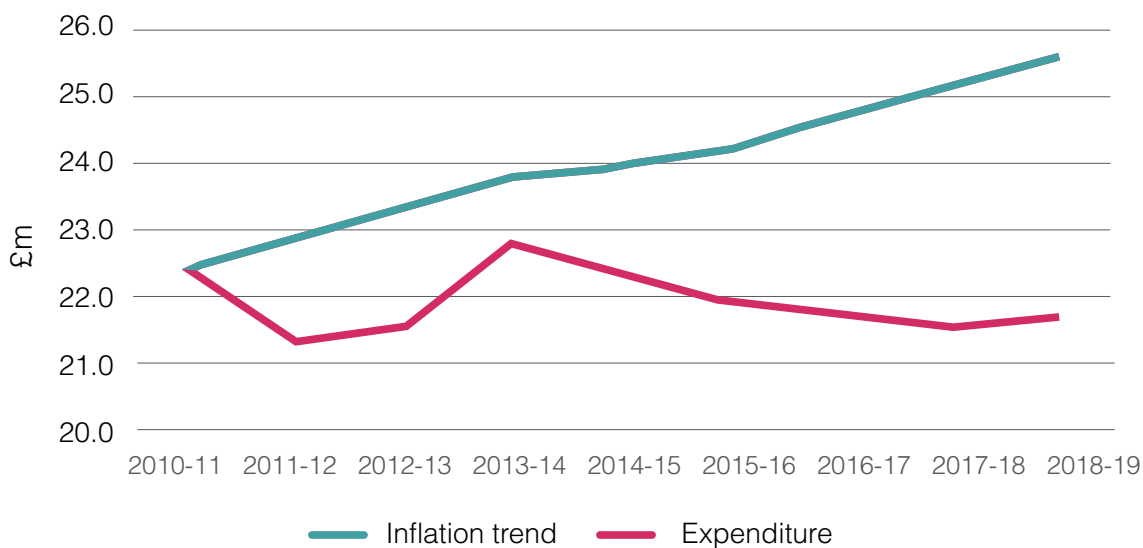
- 7 We expect to spend £21.6 million in 2018-19 delivering public audit across Wales. This represents one thousandth of the total expenditure of £18 billion on which we provide assurance.
- 8 The large majority of our expenditure (almost 75%) is on staff costs – both our directly employed staff and seasonal and specialist contractor staff that we use to meet peaks in our workload and to provide specialist skills for individual pieces of work.
- 9 The £2.2 million spent on other costs includes £0.5m of irrecoverable VAT on goods and services as a result of the special VAT status of the Wales Audit Office. The cost of this has increased in recent years and is having to be met from efficiency savings on other budgets.
- 10 Around 68% of our expenditure is funded through fees charged to audited bodies; the remaining 32% is provided directly from the Welsh Consolidated Fund (WCF).
- 11 **Exhibit 1** demonstrates where we plan to spend this money in 2018-19 and how it will be funded.

Exhibit 1 – Wales Audit Office Expenditure and Income 2018-19



12 Since 2010-11, the year the current Auditor General took office, the cost of public audit in Wales has reduced by 15% in real terms¹, as represented in Exhibit 2. The cumulative saving generated across those years amounts to almost £19 million, reducing both the call on the Welsh Consolidated Fund (WCF), other than for new responsibilities agreed with the Finance Committee, and the amount required to be raised from audit fees.

Exhibit 2 – Expenditure 2010-11 to 2018-19



13 Over the same period we have worked hard to absorb cost increases from pay agreements, contractual salary increments, general inflation and increases in employers' national insurance and pension contributions. We have done this by:

- Revising our staff skills mix to reduce the number of senior managers and increase our graduate trainees
- Cutting costs by increasing efficiency in our corporate centre
- Completing the implementation of a new staff travel scheme saving 11% annually
- Making procurement savings in respect of our use of private sector firms and corporate systems including time recording and expenses management
- Reducing the number of senior Directors by moving to just one Assistant Auditor General instead of two.

¹ Based on GDP deflators published by ONS, June 2017.

- 14 The Board remains committed to ensuring the Wales Audit Office itself is a well-run and accountable organisation that demonstrates the highest standards of efficiency and effectiveness, and that our work represents good value. Building on savings achieved in previous years, we take a forward-planning approach that will enable us to achieve additional savings for 2018-19.
- 15 We are investing in strategic transformation projects to ensure our impact continues to be maximised in the changing environment ahead. It is important to us that we achieve our strategic objectives in a cost effective manner, within the context of our Medium Term Financial and Workforce Plans. Our first project 'Cutting Edge audit' was completed during 2017-18 and made 7 key recommendations – the first of these relating to the development of a Data Analytics team is detailed further in this Estimate.

Funding our strategic priorities

Strategic Priority 1

Report authoritatively on whether public bodies are acting in accordance with the sustainable development principle



	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Developing our audit approach and moderating the impact on fees for work required to comply with the requirements of for the Well-being of Future Generations Act 2015 (Staff time).	Nil	300
16 During 2016-17 and 2017-18 we received funding to allow us to develop our audit approach to the Wellbeing of Future Generation Act without requiring us to charge fees to audited bodies for this work. Exhibit 3 sets out how we have used this funding during 2017-18.		
17 As we move in to business as usual, from 2018-19, we will be adjusting our audit work in Local Government and NHS bodies to discharge the Auditor General's duties within the current fees. This will not be possible for central government bodies, as there is no existing programme of Central Government performance work, and hence it will be necessary for us to charge a fee for the work required. We are discussing the implications of this with individual audited bodies.		

- 18 Funding awarded in 2017-18 for the development and piloting of our work associated with the Wellbeing of Future Generations Act 2015 will not be required in 2018-19.

Exhibit 3 – Wellbeing of Future Generations ACT– 2017-18

Wellbeing of Future Generations Act –2017-18

Developing our audit approach

We are using the majority of the WCF funding to meet the staffing costs of developing, consulting upon and testing our audit approach without impacting on audited body fees. Funds are being used to employ a dedicated Project Manager and to backfill audit staff involved in development activity without passing on those costs through fees.

Pilot sites

We are working with the following bodies to develop and test audit methods over the course of 2017-18. The pilot bodies are:

- Aneurin Bevan Health Board
- Vale of Glamorgan Council
- The three National Park Authorities
- Welsh Government
- Natural Resources Wales
- Sport Wales
- Torfaen Public Service Board

This work includes engaging with pilot bodies and wider stakeholders in the design and development of audit methods. It will also involve evaluating those methods and developing tools, guidance and training to support their use in future audit work.

Year One Commentary

We are undertaking a Year One Commentary to identify how each of the 44 bodies are beginning to respond to the requirements of the Act and to share examples of emerging good practice.

Strategic Priority 2

Support strong public sector financial management at a time of austerity



	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Cost of delivering value-for-money studies by the Auditor General including Local Government National Studies and all-Wales summaries of local NHS audit work. Responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others (Staff time)	2,720	2,720
Research and development associated with our Local Government performance audit work (Staff time)	280	325 ²
Providing support to the Public Accounts Committee and other National Assembly committees. (Staff time)	190	190
Wider public sector benefit		
The Good Practice Exchange. (Staff time and associated costs)	540	540
Cyclical funding for the National Fraud Initiative (Staff time and participation fees)	180	50
Total Strategic Priority 2	3,910	3,825

National reports, including reactive work – £2.72 million

- 19 We aim to deliver at least 14 national reports each year drawing on audit work across various parts of the Auditor General's programme. Of these reports, we would typically expect that at least 10 would, by their nature, provide material to support the scrutiny work of the Public Accounts Committee and/or other National Assembly committees.
- 20 The Auditor General is required to take account of the views of the Public Accounts Committee when determining the work to be undertaken as part of his programme of value for money examinations. He updates the Public Accounts Committee regularly on all audit work in progress that could support the Committee's own work.
- 21 Some recent completed national reports include a [Review of the implementation of the 2014 NHS Finances \(Wales\) Act](#) and consideration of the Welsh Government's arrangements for the [21st Century Schools and Education Programme](#).
- 22 We will continue to commit resources to provide the necessary capacity and to develop our capability to carry out reactive work in response to issues brought to our attention through correspondence from the public, elected representatives and others. The resources committed for this purpose from the 2018-19 estimate relate primarily to the work of the investigative studies team that we established in 2015. Recent examples of national reports led by the investigative studies team include a review of the Welsh Government's funding of [Carmarthenshire Energy Limited](#) and a review of the Welsh Government's initial funding of the [Circuit of Wales project](#).

Research and development: Local Government Performance Audit – £0.28 million

- 23 During 2017-18 it became apparent that proposals for the use of the Wales Programme for Improvement Grant provided by Welsh Government were increasingly at odds with the Auditor General's independence, as set out in section 8(1) of the Public Audit (Wales) Act 2013. As a result the Welsh Government and ourselves mutually agreed it was no longer appropriate for us to receive this grant of £460,000 per year. The potential for this was highlighted in our Estimate for 2017-18 and is the subject of a Supplementary Estimate for 2017-18 which will be considered by Finance Committee.

- 24 Continued funding is still required to provide capacity for the research and development of all-Wales Local Government performance audit work, including:
- the development of audit methods,
 - risk assessment tools, and
 - benchmarking of performance information across Wales.
- 25 Research and development allows us to develop products which help us to deliver our work in a timely and cost effective way, reducing the fees that we need to charge for this work.
- 26 Without it, we will be unable to resource the Auditor General's programme of work. We have reviewed the volume of research, development and management work required and estimate that it will cost £280,000 in 2018-19. If this is not funded from the Welsh Consolidated Fund we will need to pass on the costs to our Local Government audited bodies through increased fees.

Exchange of Good Practice – £0.54 million

- 27 Our Good Practice Exchange (GPX) was established in 2006 to gather and share relevant knowledge and innovative practices to support the Welsh public sector to deliver better services using shared learning seminars, online guidance, case studies and social media.
- 28 A recent report on the impact of our audit work by Rocket Science, a consultancy which has also worked with other audit offices, concluded that our GPX product can truly be considered as leading edge.
- 29 Events being delivered in 2017-18 include seminars around managing risk and organisation change, webinars on financial resilience, open standards and workforce planning and seminars on how to involve service users and members of the public in service delivery through the use of social media. A full list of events is available on [our website](#).

- 30 During 2016 the activities of the GPX were evaluated by the Hull University Business School, Centre for Systems Studies. The evaluation built upon the outputs of wider Wales Audit Office reviews and confirmed the positive experience of GPX key stakeholders, such as the 2016 Chief Executive's survey in which 84% said that public services benefitted from the work of the GPX. Specifically the Hull University focussed upon the value created through the development of a network of social, relational and reputational capital across Welsh Public Services. The modest size of the GPX Team allowed it to operate in a lean and agile manner, drawing upon the authority and independence of the Auditor General's activities. This creates an environment of trustworthiness and credibility, which helps to facilitate the transfer of good practice between individuals and organisations.
- 31 The report concluded that the impact of the networks developed by, and activities of the GPX team have far reaching positive outcomes for the quality of citizen experiences and cost to the public purse. The capabilities, reputation and positioning within the Wales Audit Office were seen as a significant positive, and an opportunity to support the transition of Welsh Public Services to models of service delivery that are required to meet future demographic, economic and legislative pressures.

National Fraud Initiative – £0.18 million

- 32 Our Estimate also provides funding to allow both mandatory and voluntary participants in the [National Fraud Initiative](#) (NFI) to do so free of charge. Since its launch in 1996, NFI exercises have resulted in the detection and prevention of more than £30 million of fraud and overpayments in Wales and £1.3 billion across the UK.
- 33 Public bodies tell us that the Assembly's funding of this service, through our Estimate, is valued. A further 6 bodies have signed up recently and we would expect this number to increase in 2018-19 when we roll out the full programme of data collection.
- 34 For 2017-18 our Estimate included funding of £50,000 for the first year of the two-year NFI cycle. Costs increase in the second year of the cycle then revert to the lower level the following year. The increase covers the cost of data collection and analysis and reporting back to participants. For 2018-19 the estimated cost is £180,000, covering £100,000 for mandatory participants, £50,000 for additional voluntary participants and £30,000 to access a data checking system.
- 35 In order to continue to provide free participation in the NFI, we seek an increase of WCF funding of £130,000 in 2018-19, to reduce again the following year.

Strategic Priority 3

Make more effective use of data and embrace cutting edge technology



	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
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Strategic transformation programme including Data Analytics (Staff time and associated costs)	310	100
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Data Analytics £0.26m

- 36 Our 2017-18 Estimate included funding for a project to identify priority areas for transforming the way we use data and technology. The 'Cutting Edge Audit Office' project resulted in eight recommendations to the Wales Audit Office Board who, in September 2017, supported an outline business case to pursue, as a priority, significant additional investment in data analytics.
- 37 Data analytics (DA) is a rapidly developing agenda for many public and private organisations and it refers to using technology to analyse and present data so that conclusions can be drawn about the information it contains. Examples of DA include the use of computer coding to automate aspects of data analysis, and the use of data visualisation software to present data in new, insightful ways in order to achieve greater impact and understanding. **Exhibit 4** sets out some of the expected benefits of investing in DA.

Exhibit 4 – Benefits of investing in Data Analytics

Benefits of investing in Data Analytics

Greater assurance from our work

Data analytics will provide a better, more comprehensive evidence base for our work. We will be able to state our conclusions with greater certainty because we will be able to examine entire populations of data, and/or use statistical sampling rather than basing our conclusions on smaller, judgmental samples of the data.

Greater insight from our work

Data analytics will make it much easier to unearth patterns in data, hidden linkages and trends across sectors. The insight created by data analytics will help us ask questions of the data that we would not previously have thought of. Our current approaches to data analysis tend to have a backward-looking focus, by reflecting on what has already happened within public bodies. Data analytics will help us develop approaches to future modelling and forecasting, thereby helping us move towards audit work that is forward-looking and predictive.

Greater impact through data visualisations

Data analytics will help us report our audit findings in a much more engaging way. Through data visualisation software and approaches, we will present interactive information that will help our audiences to explore and understand the data, to enable them to ask questions based on this understanding.

Added value to our work in audited bodies

Data analytics will help us deliver added value to our audits. Our new data-led approaches will reveal things about our audited bodies that are so far unknown. The insight we provide will help audited bodies to take ownership and make better use of their own information, thereby strengthening their data capabilities.

Benefits of investing in Data Analytics

Improved efficiency in the way we work

Data analytics will help us complete elements of our work more quickly. It will be quicker to secure data from our audited bodies and we will manage that data more effectively and more securely. Data will be more readily available to auditors, helping us reduce our audit time. Aspects of our data analysis will be automated, thereby freeing up time for our staff to focus on higher-value work. However, whilst financial efficiencies are possible in the long-term, they cannot be secured without time and investment.

Improved business intelligence within the Wales Audit Office

We also intend to apply data analytics to our corporate functions. Improved business intelligence will enhance our ability to plan, carry out and measure our work, leading to more insightful decision making and performance impact.

- 38 In addition to the benefits set out above, there are some considerable risks to the wider Welsh public sector if we do not invest in DA. Other audit bodies and private audit firms are already investing in DA and we need to catch up and avoid falling behind the industry standard practice. There is also growing expectation within the bodies we audit that our work should exploit DA techniques. Finally, as DA is set to be a key area for audit in future years (linked to developments in Artificial Intelligence), if the Wales Audit Office is not investing in DA, the organisation will not be seen as an attractive prospect for new staff.
- 39 Investment in data analytics will be required over the medium to long term. Our research to date indicates it will take more than three years to roll out a data analytics capability. However, as our capability develops, and as data analytics becomes more embedded in the organisation, we anticipate that data analytics will in time become a standard part of our audit approach and thereby supported through our established fee regime and not through additional funding.

Strategic Transformation £0.05m

- 40 In addition to our proposals to invest in Data Analytics, we will continue to invest in our Strategic Transformation project looking at radical solutions as to how we might transform our audit and business processes by 2025. For 2018-19 we are proposing a reduction in this funding of £50,000 in view of the major investment project outlined above.

Strategic Priority 4

Streamline our business processes and strengthen our governance arrangements



	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Strategic Priority 4		
Investment in staff learning, development and succession planning.	500	500
Support for Wales Audit Office audit trainees.	320	320
Wales Audit Office Governance	315	300
Equalisation of all-Wales travel costs	285	300
Sectoral intelligence	130	130
Depreciation funding for capital assets	50	50
Ensuring compliance with Welsh Language standards	Nil	20
General Data Protection Regulation (GDPR)	Nil	Nil
Wider Public Sector Benefit		
Finance Skills Development	207	212
Apprenticeships in the Wales Audit Office	40	Nil
Total Strategic Priority 4	1,847	1,832

Staff learning and development – £0.82 million

- 41 Developing and training our staff remains a key priority for the Wales Audit Office and, for our professionally qualified staff meets the requirement that they maintain Continuous Professional Development (CPD). The costs associated with this (both staff time and external training costs) are met from the Welsh Consolidated Fund rather than from the fees charged to audited bodies.
- 42 In addition to the Pan Wales graduate trainee secondment programme the Wales Audit Office also invests time and resources in developing graduate trainees for its own use.
- 43 We are working towards a target where 80% of our staff feel they are able to access appropriate learning opportunities. In 2016-17, a staff survey revealed that 76% agreed that they did.

Wales Audit Office governance – £0.315 million

- 44 The Public Audit (Wales) Act 2013 established the requirement for a Wales Audit Office Board made up of Non –Executive members, senior management and elected staff members. The costs associated with this, including senior management time along with administration costs and the direct costs of the Board are met from the Welsh Consolidated Fund.

Strategic sectoral intelligence – £0.13 million

- 45 The nature of our external audit role gives us a wide reach across the Welsh public sector and a depth in terms of our knowledge and understanding of individual public bodies. We provide a range of advice and support to executive teams and those charged with responsibility for the scrutiny of executive decision making. We participate as ‘observers’ in a wide range of programme or project boards; thereby protecting our audit independence from policy decisions, but bringing to the table our experience and technical advice to help support well-informed decision making and sound risk management.
- 46 Our sector leads for health and central government, and local government and criminal justice support our work across the Welsh public sector. This strategic engagement also helps to ensure that our own planning and audit work programmes are informed by an understanding of new and emerging developments in the public sector. By their nature, it is not appropriate to fund the cost of this work through our audit fees to individual public bodies.

Meeting Welsh language standards – £Nil

- 47 The Wales Audit Office and the Auditor General are both working towards full compliance, wherever possible, with the 2015 Welsh Language Standards. In 2017-18 we identified specific funding to provide training to our reception staff to ensure they can provide bilingual services. Funding for on-going training will be prioritised within existing training budgets for 2018-19 onwards and hence we are reducing our call on the Welsh Consolidated Fund by £20,000 in respect of the Welsh Language Standards.

General Data Protection Regulation (GDPR) – £Nil

- 48 The GDPR, which comes into force from 1 May 2018, requires the Wales Audit Office to designate a Data Protection Officer (DPO) to exercise functions set out in the GDPR. Those functions include monitoring compliance with the GDPR and co-operating with the Information Commissioner, as well as advising the organisation and reporting directly to the Board. The DPO may be a member of staff, or they may fulfil the role on the basis of a service contract. Our preparatory work indicates that the additional annual cost of the DPO is likely to be in the region of £20,000. We will meet this cost in 2018-19 by increasing our efficiency savings target for the year.

Finance Skills Development – £0.207 million

- 49 Our Pan Wales graduate trainee programme is used to support secondments across the Welsh public sector with the dual aim of helping to remodel our own workforce through the greater use of trainees and to contribute to the future pool of finance talent available to the wider Welsh public sector.
- 50 From a Wales perspective it also helps to address some of the loss of public sector graduate jobs identified in a recent report³ on the number of graduates who leave Wales following graduation. On completion of their training, some of our recently qualified accountants have also remained in Wales, taking up positions in the BBC as well as private sector firms.
- 51 **Exhibit 5** details what we have achieved to date with this funding.

3 Resolution Foundation report 'Get a Move On' published August 2017

Exhibit 5 – Graduate Trainee Programme – Achievements to date

Graduate Trainee Programme – Achievements to date

Finance Skills Development Group

In April 2017 this Group, which includes representatives from across the Welsh Public sector was recognised for its work by being awarded the UK-wide Public Finance innovation award for Finance Training and Development. The Award nomination recognised the generous support of the National Assembly for the Group's work.

Recruitment

We recruited an additional thirteen new graduate trainees in 2017. This increases the total number of Wales Audit Office graduate trainees to 36 as at September 2017.

Secondments

Eight Wales Audit Office trainees are due to be seconded to other public sector bodies during 2017-18, an increase of 3 trainees from last year (Torfaen County Borough Council, Wrexham County Borough Council, DVLA, BBC, Cardiff and Vale College, Natural Resources Wales, Abertawe Bro Morgannwg University Health Board and Betsi Cadwaladr University Health Board). In addition, we have been able to extend the initiative to allow a qualified member of staff to undertake a valuable secondment. Appropriate safeguards are always put in place to ensure the Auditor General's audit independence.

Skills development

An enhanced trainee skills development programme is being rolled out that will culminate in an ILM accredited junior leadership programme. This will constitute accredited first line management training in the final year of a trainee's professional studies. We are exploring whether this junior leadership programme can be extended to trainees in other public bodies.

Management

All trainee line managers are receiving advanced training in coaching techniques to enhance their capability as people managers. This will better enable them to support trainees as they progress through their leadership development programme.

Graduate Trainee Programme – Achievements to date

Trainee conference

A second trainee conference has been arranged for 19 October 2017 at which we are expecting around 180 finance students from across the public sector in Wales. We have achieved a high level of interest from students and public sector leaders (who are supporting and speaking at the event).

Trainee networks

The FSDG has established three trainee networks covering the whole of Wales. These networks allow trainees from a range of employers, and studying for different qualifications, to come together and network, share experiences and hear from a variety of speakers to further enhance the trainees' professional development.

Apprenticeships in the Wales Audit Office – £0.04m

- 52 The Finance Skills Development Group (FSDG) has been asked by the Welsh Government to develop a new apprenticeship level public sector accounting framework (or to add a public stream to an existing framework). This would be based around the AAT qualification, which is universally recognised as an entry route to becoming a fully qualified accountant. This framework would be available to all public sector employers in Wales to offer apprenticeships in financial services/accounting. Accounting firms in the private sector have been very successful in recruiting into highly successful apprenticeship schemes.
- 53 We are seeking additional funding of £40,000 to develop, design and launch a new public sector accounting apprenticeship scheme in Wales. This would cover the following elements:
- Developing the new framework: £15,000
 - Providing additional pastoral support to young people joining the workforce for the first time: £10,000
 - An enhanced secondment programme for apprentices: £15,000
- 54 We plan to launch an apprenticeship scheme in the Wales Audit Office based on this framework, which would augment our highly successful graduate scheme by creating up to five initial two-year apprenticeship posts based in the Wales Audit Office. We would draw on our experience in running our graduate scheme, and would utilise the support infrastructure we have already developed for that scheme, to provide high quality development opportunities.

- 55 Our recruitment strategy would focus on young people, in particular, who might not otherwise get the opportunity to embark on a career in accounting in the public sector and to develop their softer and leadership skills as a basis for a higher level career. This is in line with Welsh Government policy to create development opportunities and meaningful jobs in one of its key priority areas – financial services – and supports the broad objectives of the Well-being of Future Generations legislation.
- 56 The scheme would be similar to the current highly successful graduate programme, with apprentices hosted by the Wales Audit Office but funded to spend some time on secondment in other public bodies to gain wider experience and further develop their skills. We are seeking funding to allow apprentices to have additional secondment opportunities to enhance the learning and development focus of the scheme.
- 57 We are also seeking a small level of additional funding to provide pastoral and other support to young people who are new to the work place and who have no experience of moving between several employer bodies. Such additional support has been a key feature of other successful apprenticeship schemes we have studied.
- 58 Other public bodies have also shown considerable interest in working on a shared/collaborative apprenticeship scheme. We believe that the arrangements we plan to put in place would then provide a foundation for a broader scheme across the whole of the public sector.
- 59 On completion of the apprenticeship scheme, these individuals would be extremely well placed to join higher level professional accountancy training schemes anywhere in the public sector.

Strategic Priority 5

Review and adapt our audit approach



	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
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Strategic Priority 5

Technical support, including compliance and quality assurance. (Staff time and associated costs)	744	744
Preparatory work for the Early Closure of Local Government Accounts (Staff time)	120	Nil
Preparatory work for the Welsh Revenue Authority. (Staff time)	50	50
Total Strategic Priority 5	914	794

Technical support and quality assurance – £0.744 million

- 60 In order to support our audit work, ensure that our auditors comply with all relevant legislation and guidance and that our audit products meet approved quality standards, we invest both staff time and resources in this stream of work. Our quality control system has been designed to comply with the quality control standards of the Financial Reporting Council. More information on the work done to meet quality standards is available in our annual [Transparency Report](#) published on our website.

Early closure of Local Government Accounts – £0.12 million

- 61 The Welsh Government intends to amend regulations which will require all local government bodies to bring forward the preparation and publication of their annual accounts. The changes are being introduced in a staged manner and all bodies will eventually be required to prepare their accounts by 31 May and publish them by the end of July. This will therefore require the Auditor General for Wales to certify local government accounts by 31 July each year rather than 30 September. This change is expected to take effect for years of account ended 31 March 2019 for fire and rescue authorities, national park authorities, police and crime commissioners and chief constables; and, for years of account ended 31 March 2021 for unitary authorities.
- 62 This will have a significant impact on the workload at peak times for the Wales Audit Office and has been the focus of our workforce planning arrangements in recent years. In advance of the deadline, we are already working closely with our audited bodies to ensure that they are properly prepared for this change. However, a short-term need for additional resources of £120,000 per year has been identified for 2018-19, increasing to £150,000 per year in 2019-20 and 2020-21. This additional resource is intended to:
- enable us to provide additional client engagement which we see as critical to the success of the early closure programme;
 - engage with GPX colleagues to develop and deliver specific learning events for audited bodies;
 - develop specific engagement with the main accountancy firms;
 - support our work in re-engineering our audit approach (including IT audit) to accommodate early closure;
 - model workforce planning assumptions and scenarios to further support our workforce planning arrangements;
 - engage with staff on the practical implications of a much heightened peak and potential solutions;
 - provide guidance, tools and training to staff; and
 - prepare enhanced Technical support including revising the Audit Delivery Manual

Changes for 2018-19 from 2017-18

- 63 The change in our call on WCF for 2018-19 from 2017-18 is detailed as shown in **Exhibit 6**. Other than the cyclical increase for the National Fraud Initiative, our call on the Welsh Consolidated Fund has remained the same as that requested in our Supplementary Estimate for 2017-18.
- 64 We have achieved this, in the context of internal cost pressures, the need to fund our strategic priorities, and wider public sector funding restraint.

Exhibit 6 – Changes in WCF Funding from 2017-18 to 2018-19

2017-18	£'000
Estimate 2017-18	6,526
Supplementary Estimate 2017-18 re research and development for Performance Audit Local Government work	325
WCF Funding 2017-18	6,851
Changes for 2018-19	£'000
Reduction in respect of WFG	(300)
Reduction in respect of Strategic Transformation	(50)
Reduction in respect of Welsh language standards	(20)
Reduction in respect of replacement of Wales Programmeresearch and development for Improvement GrantPerformance Audit Local Government work	(45)
Reduction in respect of Finance Skills Development	(5)
Revenue funding for Data Analytics	260
Preparatory work re Early Closing of Local Government Accounts (for 3 years)	120
Finance apprenticeship scheme	40
Cyclical funding for National Fraud Initiative (alternate year funding)	130
WCF Funding 2018-19	6,981

Recruitment and retention

- 65 In recent years the Wales Audit Office has been experiencing increasing difficulty in attracting high quality qualified accountants for its audit roles. This issue has been partly addressed by our policy of recruiting and training graduate trainees, but more recently we have found that once qualified, our accountants are increasingly being attracted to other organisations for significantly better salaries than can be offered by the Wales Audit Office.
- 66 For this reason, we are currently reviewing our financial auditor pay bands, the outcome of which will be reported to the Board in March 2018. No specific funding has been included in this Estimate for any potential changes arising from this review as various options for any additional costs would need to be carefully considered.
- 67 Similarly, no contingency has been included should there be any relaxation of the 1% cap on public sector pay increases in Wales. In that scenario, we may need to revisit our costing and funding assumptions.

Capital and ICT investment

68 Our capital investment priorities for 2017-18 to 2021-22, linked to our internal IT Strategy, are set out in [Exhibit 7](#).

Exhibit 7 – Capital Investment 2017-18 to 2021-22

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Planned PC/IT renewal	50	75	75	75	75
Performance Audit knowledge management system	80	-	-	-	-
Network infrastructure renewal	20	40	20	20	20
Video conferencing infrastructure renewal	30	15	15	15	15
Strategic Transformation Project	50	-	-	-	-
Corporate Systems	100	100	100	100	100
Office accommodation	-	50	40	40	40
Replacement telephony system	50	-	-	-	-
TOTAL	380	280	250	250	250

Planned PC/IT Renewal

- 69 A rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains up to date and reliable. During 2017-18, in line with our Strategic Transformation project to make better use of data and technology, we have replaced a number of our laptops with hybrid devices that allow staff to handwrite notes directly onto these devices in meetings, saving both staff time in typing up notes and also significantly reducing the requirement to print documents for meeting attendance. This has resulted in a 20% reduction in paper usage since the devices were introduced, leading to cost savings and helping us meet our environmental targets.

Network Infrastructure Renewal

- 70 Periodically we need to refresh the data network infrastructure associated with our offices in order to ensure it remains supportable and able to accommodate future connectivity demands. This will also allow us to cater for the expected continuing transition to 'cloud services' during coming years, and for increasing use of web-based video and multimedia. Our investment will reduce in future years as more functions are moved to cloud based services.

Video Conferencing Infrastructure Renewal

- 71 Our video conferencing facilities have proved themselves in reducing the costs, environmental and staff time impacts of business travel, so we will invest further in the facilities at our three office locations. We will also continue with PC-based video conferencing to support colleagues working remotely and from offices with no VC facilities. This combined approach will ensure video conferencing is available, wherever and whenever our staff and partners find it beneficial to use it.
- 72 These devices are becoming cheaper as technology improves and hence we are reducing the budget for these going forward.

Corporate Systems

- 73 We will be replacing our current financial system during 2017-18 to ensure that our internal processes and reporting functionality continue to meet best practice standards.
- 74 In 2018-19, the contract for our HR system will need to be renewed. It is currently not certain whether this will require any capital investment so an amount has been included in the event that this is required which will be returned if unused.
- 75 Any future investment on the Performance Audit knowledge management system will also be funded from this allocation.

Office accommodation

- 76 Towards the end of our 5 year programme, the leases on our 3 office buildings in Cardiff, Swansea and Abergele will be due for renewal or ending. Over the next few years we will be undertaking a strategic review of our office accommodation requirements to determine whether savings can be made from more agile and remote working. Provision has been made for necessary access works in the interim along with costs associated with any office moves as our strategy develops.

Fee Regime, the case for change

- 77 Separate to this Estimate, we have published a case for change paper explaining the complexities of the fee regime under which the Wales Audit Office has to operate. We are urging the Finance Committee to consider progressing legislative changes to simplify the fee regime in Wales, to bring it more in line with those applicable to other audit bodies in the UK. Our case for change paper includes responses from our stakeholders, with whom we consulted on our proposals in June-July 2017.

Draft Fee Scheme 2018-19

- 78 Legislation requires us to publish a Fee Scheme at least on an annual basis. Included within this Estimate document is our draft Fee Scheme for 2018-19 ([Appendix 3](#)). 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 2018-19 before the National Assembly and then advise audited bodies of their estimated fees for next year.
- 79 Having frozen fee rates since 2014-15 we find that we now have to make a small overall increase of less than 1% as set out in [Exhibit 8](#). This represents a 5.6% real-terms reduction in fee rates since 2014-15 when they were last changed. We will work to offset the effect of an increase in our fee rates with reductions in audit days and skills mix so that overall audited bodies should not experience an increase in total fees paid.
- 80 We will be benchmarking our fee rates, and the methodology used to calculate them, with other UK Audit bodies early in 2018. The outcome of this exercise will be considered by the Wales Audit Office Board.
- 81 We went beyond the statutory fee consultation requirements and, in August 2017, consulted with all audited sectors and other stakeholders on our fee scales and fee rates for 2018-19.

Exhibit 8 – Fee rates for audit staff

Grade	Proposed fee rate (£ per hour) 2018-19	Current fee rate (£ per hour) since 2014-15
Engagement director	159	162
Audit manager	112	111
Performance audit lead	93	93
Financial audit team leader	76	75
Performance auditor	66	65
Financial auditor	57	56
Graduate trainee	44	43

82 Consultation responses, from across all the sectors audited, told us that:

- Audited bodies value free participation in the National Fraud Initiative. Our Estimate includes provision for its continuation.
- There was concern from some central government bodies about the need for us to charge for work under the Wellbeing of Future Generations Act. The Regulatory Impact Assessment of the legislation included evidence from us in relation to potential audit costs so we have encouraged those bodies to discuss further with their sponsoring departments.
- Audited bodies acknowledge the real terms reduction in our fee rates since 2014-15 but pointed to the significant reductions in their own funding due to austerity.

83 The Board welcomes the feedback and has taken it into account in finalising this Estimate and the enclosed draft Fee Scheme.

Forward look

- 84 The evolving landscape for our public audit work presents a complicated picture for the Wales Audit Office, encompassing:
- the impact of Brexit on funding and legislation;
 - continued public sector funding restraint and responses to it, along with evolving public expectations of public services;
 - the political landscape between Westminster and Wales and the impacts of further devolution and tax-raising powers for Wales;
 - the Welsh Government's legislative programme and any impacts for the work of the Auditor General;
 - seamless public services across Wales, with greater partnerships and collaborations, such as City Deals;
 - digitisation of service delivery, increased public access to audit-related data and expanded use of social media and other digital communication;
 - earlier closure of local government accounts from 2018-19, with resultant impacts on resourcing across both local government and the Wales Audit Office; and
 - continued pay restraint in the public sector causing leakage of professional talent.
- 85 We are actively planning for all of the above, both in terms of our financial and workforce plans, in order to ensure that we continue to provide quality audit services, by:
- setting an annual efficiency savings target, £250,000 in 2018-19, through our efficiency and effectiveness programme – to help ensure every pound we spend has maximum impact;
 - reviewing our workforce planning strategy and considering the skills mix and workforce model that will be required in the future – so we can reshape our workforce over time, preparing for changes to our work programme;
 - capitalising on our strategic intelligence to inform developing policy and position ourselves for effective responses such as to Brexit and the Welsh Government legislative programme; and
 - investing in data analytics and digitisation and providing capacity for transformational thinking in our approaches to audit work.

- 86 Further, annual estimates and interim and annual reports will demonstrate how we are facing the challenges and remaining focused on ensuring the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2019

- 87 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 88 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2019, the Budget Motion will authorise:
- the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
 - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
 - the amount which may be paid out of the WCF to the Wales Audit Office.
- 89 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 9**.

Exhibit 9 – Summary of the estimated 2018-19 budget requirements

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General, and on the administration of the Wales Audit Office:	
• Revenue	6,981
• Capital	280
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services; recoveries of costs, such as seconded staff, staff loans, car leasing payments; recoveries of any costs incurred for a third party; and interest received on working balances – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	14,644
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	7,061

90 **Exhibit 10** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2018.

Exhibit 10 – Reconciliation of resource requirement to cash drawing requirement from the WCF

	£'000
Net request for resources – revenue and capital	7,261
Non-cash adjustment – depreciation and accruals	(200)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	7,061

Appendix 1 – Wales Audit Office income and expenses

Estimate, year to 31 March 2018 £'000		Estimate, year to 31 March 2019 £'000	Supplementary Estimate, year to 31 March 2018 £'000
Expenses			
15,411	Staff costs	15,286	15,411
870	Contractor staff	617	735
1,299	Travel and subsistence	1,231	1,299
874	Private sector firms (including VAT)	962	874
938	Accommodation	960	938
399	ICT	397	399
390	Balance of irrecoverable VAT	500	390
300	Wales Audit Office Governance Arrangements	300	300
255	External training	275	255
201	Legal and professional fees	194	201
145	Translation of documents	145	145
-	NFI data collection	130	-
598	Other costs	628	598
21,680	EXPENSES TOTAL	21,625	21,545
Income			
13,288	Audit fees	13,193	13,288
1,406	Grant certification fees	1,451	1,406
460	WPI grant from the Welsh Government	-	-
15,154	INCOME TOTAL	14,644	14,694
6,526	Total revenue budget to be funded by WCF	6,981	6,851

Analysis of estimated fee income

Sector	Audit of accounts £'000	Performance audit £'000	Grant certification £'000	Total 2018-19 £'000	Total 2017-18 £'000
Local government bodies	5,545	2,324	1,451	9,320	9,729
Central government bodies	1,750	150	–	1,900	1,790
NHS bodies	2,018	1,228	–	3,246	3,110
Other income	150	28	–	178	65
Total fee income	9,463	3,730	1,451	14,644	14,694
2017-18 Comparator	9,498	3,790	1,406	14,694	–

Appendix 2 – Main operational activities and associated sources of funding

Activity	Scale	Source of funding
Audit of accounts prepared by central government and health bodies.	Eight accounts prepared by the Welsh Government; 25 other accounts, including the Assembly Commission; eight Welsh Government Sponsored Bodies, seven health boards; and three NHS trusts.	Fees charged to audited bodies.
Audit of accounts prepared by local government bodies.	Twenty-two unitary authorities, four police and crime commissioners and chief constables, three fire and rescue authorities, three national park authorities, eight pension funds, 14 internal drainage districts and approximately 750 town and community councils and other small bodies.	Fees charged to audited bodies.
Local government improvement assessments.	Includes annual audits of whether authorities have discharged their improvement planning and performance reporting duties; annual assessments of the likelihood of compliance with improvement duties; cyclical in-depth corporate assessments and special inspections. Undertaken at 28 improvement authorities, (the 22 unitary authorities, 3 fire and rescue authorities, and 3 national park authorities).	Fees charged to audited bodies. The Welsh Government also provides grant funding to support improvement assessment work.
Local performance audit work at health bodies.	Includes assessments of arrangements to secure value for money in the use of resources. Undertaken at seven health boards and three NHS trusts.	Fees charged to audited bodies.
Compliance with audit requirements of Well-being of Future Generations Act 2015.	44 public bodies specified in the Act.	WCF in 2017-18. Fees charged to audited bodies from 2018-19.
Certification of grant claims and returns.	Twenty one local government schemes (around 400 claims with a total value of some £2.5 billion).	Fees charged to audited bodies.
Value-for-money studies.	Typically around 14 studies and other outputs are undertaken each year, looking at value for money in key areas of public spending. Often this work is undertaken from a 'whole-system' or 'cross-cutting' perspective, where public spending is examined irrespective of who delivers the services.	Financed from the WCF, following approval by the National Assembly.

Activity	Scale	Source of funding
Good Practice Exchange.	Working with others to share learning and good practice.	Finance from the WCF following approval by the National Assembly.
Other significant activities.	<p>Includes:</p> <ul style="list-style-type: none"> • checking requests for grant of approval to draw from the WCF; • anti-fraud and other data-matching exercises, including the NFI; • responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others; • providing support to the Public Accounts Committee and other National Assembly committees; and • administration of the Wales Audit Office. 	Financed from the WCF, following approval by the National Assembly, and some activities are also funded by fees charged to audited bodies.

Appendix 3 – Draft Fee Scheme 2018-19

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Introduction

- 1 This Fee Scheme has been prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013 (the Act) ([Annex 1](#)). The Fee Scheme, following approval by the National Assembly's Finance Committee, provides the basis on which the Wales Audit Office charges fees.
- 2 The Board has listened carefully to stakeholder feedback in relation to our cost-efficiency agenda and the fee rates we set. In seeking the National Assembly's support for our Estimate for 2018-19, we proposed in the Estimate:
 - A small (less than 1%) increase in fee rates to be offset by reductions in audit days and skills mix in order to deliver reductions in the median fee scales for most audited bodies. In real terms this represents a reduction of 5.6% since our rates were set in 2014-15.
 - To continue in line with previous National Assembly agreement to fund National Fraud Initiative (NFI) work from our charge on the Welsh Consolidated Fund rather than through fees charged to participating bodies. Feedback told us that audited bodies welcome this approach.
 - To design our performance audit work at Local Government and Health bodies to concurrently discharge the requirements of the Well-being of Future Generations (Wales) Act 2015 so as not to increase the overall amount of performance audit work required.
 - To charge a fee for this work for Central Government bodies from April 2018; this fee to be discussed in advance with those bodies.
 - To continue to provide public sector secondment opportunities for our accounting trainees, without impacting on fees charged for audit work.
 - To maintain capacity for transformational thinking in our approaches to audit work. Feedback reinforced the need for us to do more developmental work as part of balancing the overall cost of audit on public bodies.
- 3 This Fee Scheme reflects the approved Estimate and in broad terms sets out:
 - The enactments under which the Wales Audit Office charges audit fees.
 - 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.

- 4 Broadly, 68% of our expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government to support improvement assessment work. The remaining 32% is provided directly from the Welsh Consolidated Fund through vote of the National Assembly. Further information about our expenditure and funding is contained in annual estimates of income and expenditure which are laid before the National Assembly.

List of enactments

- 5 **Annex 2** sets out the enactments under which the Wales Audit Office may and must charge fees.

Fee rates and fee scales

- 6 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- 7 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, as a result of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 8 During 2017-18 we consulted widely on legislation governing the fee regime in Wales which is more complex than in other parts of the UK and creates inefficiency and additional cost for the public sector in Wales. The outcome of this consultation has been submitted to the Finance Committee and we await their response.

- 9 We went beyond the statutory fee consultation requirements and, in August 2017, consulted all audited bodies and other stakeholders on our fee scales and fee rates for 2018-19. We received responses from across the sectors we audit. Those responses told us that:
- Audited bodies value free participation in the National Fraud Initiative. Our Estimate includes provision for its continuation.
 - There was concern from central government bodies about the need for us to charge for work under the Wellbeing of Future Generations Act. The Regulatory Impact Assessment of the legislation included evidence from us in relation to potential audit costs so we encourage those bodies to discuss further with their sponsoring departments.
 - Audited bodies acknowledge the real terms reduction in our fee rates since 2014-15 but pointed to the significant reductions in their own funding due to austerity. As a result of audit efficiencies, our Fee Scheme reduces the median fee scales despite the proposed increase in hourly rates.
- 10 The Board welcomed the feedback and responds to it through this Fee Scheme and our Estimate.
- 11 **Exhibit 1** sets out the hourly fee rates for audit staff .

Exhibit 1 – Fee rates for audit staff

Grade	Proposed fee rate (£ per hour) 2018-19	Current fee rate (£ per hour) since 2014-15
Engagement director	159	162
Audit manager	112	111
Performance audit lead	93	93
Financial audit team leader	76	75
Performance auditor	66	65
Financial auditor	57	56
Graduate trainee	44	43

- 12 We are required to prescribe fee scales for:
- work relating to the audit of local government bodies;
 - work under the Local Government (Wales) Measure 2009; and
 - data-matching work (NFI).
- 13 Fee scales for the audit of 2017-18 financial accounts and 2018-19 improvement audits and assessments are provided in Annex 3 in relation to work conducted at unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, town and community councils and local government pension funds. A separate fee scale is provided in relation to the NFI.
- 14 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.
- 15 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.
- 16 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.
- 17 The fee rates apply to all audit work that the Wales Audit Office will charge for, except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done by agreements prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears to the Wales Audit Office that the work involved in a particular audit differs substantially from that originally envisaged, the Wales Audit Office may charge a fee which differs from that originally notified.

- 18 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. To meet their 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.
- 19 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of Wales Audit Office staff.

The Well-being of Future Generations (Wales) Act 2015

- 20 The Well-being of Future Generations Act requires specified public bodies to set and publish well-being objectives, take steps to meet those objectives and report annually on their progress. It also requires the Auditor General to carry out examinations into the extent to which those public bodies set objectives and take steps to meet them in accordance with the sustainable development principle.
- 21 During 2017-18, we are working with audited bodies named in the Act and the Future Generations Commissioner for Wales as we develop and test audit approaches to fulfil the Auditor General's duty under the Act.
- 22 For Local Government and Health bodies we will be designing our performance audit work to concurrently discharge the requirements of the Well-being of Future Generations (Wales) Act 2015 so as not to increase the overall amount of performance audit work required.
- 23 For Central Government bodies, we will however need to charge fees for this additional WFG work. As highlighted in our Fee Scheme for 2017-18, we cannot incorporate the work in to other aspects of our performance audit work, as we do not currently undertake such work for central government bodies. Engagement directors will discuss the work required and associated fees with individual bodies as appropriate.

Charging of fees

- 24 Each body's Engagement Director will explain that body's skills' mix 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.
- 25 Audited bodies are expected to pay the Wales Audit Office's invoices within their performance target for creditor payments, usually 10 days in the public sector. We may charge for the administrative costs incurred in pursuing late payments.
- 26 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.

Annex 1 – 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 here 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.
- (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 National Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

Annex 2 – List of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
<ul style="list-style-type: none"> Audit of accounts by the Auditor General (other than local government accounts). 	<ul style="list-style-type: none"> Section 23(2) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Value for money studies undertaken by agreement. 	<ul style="list-style-type: none"> Section 23(3)(a)-(c) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Section 23(3)(ba) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> Section 23(3)(ca) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Section 23(3)(d) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> An extraordinary audit of the accounts of a local government body. 	<ul style="list-style-type: none"> Section 37(8) of the Public Audit (Wales) Act 2004
<ul style="list-style-type: none"> Data-matching exercises. 	<ul style="list-style-type: none"> Section 64F(A1) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for this work
<ul style="list-style-type: none"> Advice and assistance provided by the Auditor General for registered social landlords. 	<ul style="list-style-type: none"> Section 145D(2) of the Government of Wales Act 1998
The Wales Audit Office must charge fees for the following activities	
<ul style="list-style-type: none"> Work under the Local Government (Wales) Measure 2009. 	<ul style="list-style-type: none"> Section 27 of the Local Government (Wales) Measure 2009 A fee scale must be prescribed for this work

Nature of work	Enactments
<ul style="list-style-type: none"> Grant certification services. 	<ul style="list-style-type: none"> Section 23(4)(a) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998. 	<ul style="list-style-type: none"> Section 23(4)(b) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Auditing the accounts of a local government body and undertaking studies by agreement with a local government body. 	<ul style="list-style-type: none"> Section 20(A1)(a)-(b) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for the audit of the accounts of local government bodies
<ul style="list-style-type: none"> Benefit administration studies for the Secretary of State. The Auditor General may conduct, or assist the Secretary of State in conducting, a benefit administration study only if the Secretary of State has made arrangements for the payment to the Wales Audit Office of a fee in respect of the study. The amount of the fee must be a reasonable amount agreed between the Secretary of State and the Wales Audit Office. 	<ul style="list-style-type: none"> Section 45 of the Public Audit (Wales) Act 2004
<ul style="list-style-type: none"> Assisting Her Majesty's Chief Inspector of Education and Training in Wales with inspections of local authorities. The Auditor General for Wales shall not provide such assistance unless, before he does so, the Chief Inspector has agreed to pay the Wales Audit Office a fee. 	<ul style="list-style-type: none"> Section 41A of the Education Act 1997
<ul style="list-style-type: none"> Programmes of studies relating to registered social landlords undertaken by agreement between the Welsh Ministers and the Auditor General. It shall be a term of every such programme that the Welsh Ministers must pay to the Wales Audit Office a sum in respect of the costs incurred. 	<ul style="list-style-type: none"> Section 145C(3) of the Government of Wales Act 1998

Annex 3 – Fee scales for work undertaken at local government bodies

Unitary authorities

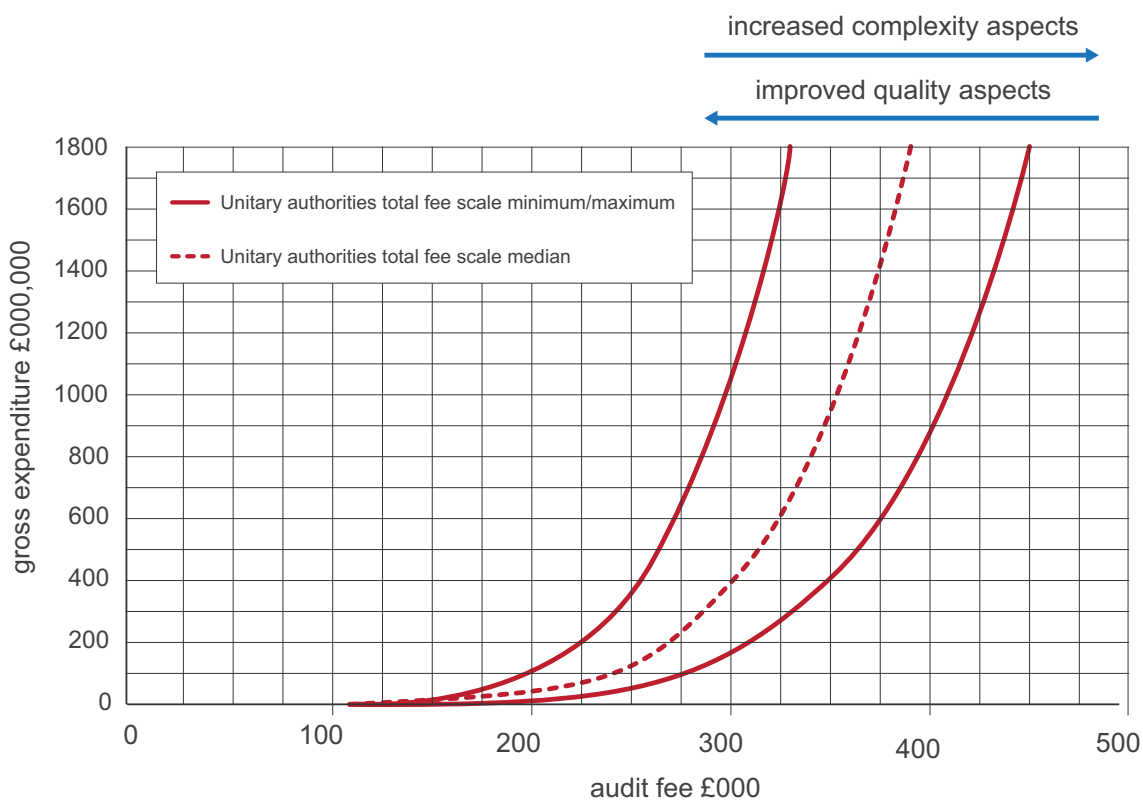
Fee scale for audit of 2017-18 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
100	117	138	158	139
200	141	166	191	167
300	157	185	212	186
400	169	199	229	201
500	180	211	243	213
600	189	222	255	224
700	197	231	266	233
800	204	240	276	242
900	210	247	284	249
1,000	216	254	292	256
1,100	222	261	300	263
1,200	227	267	307	269

Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All unitary authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	83	99	115	112

Graphic of total fee scale for unitary authorities



Fire and rescue authorities

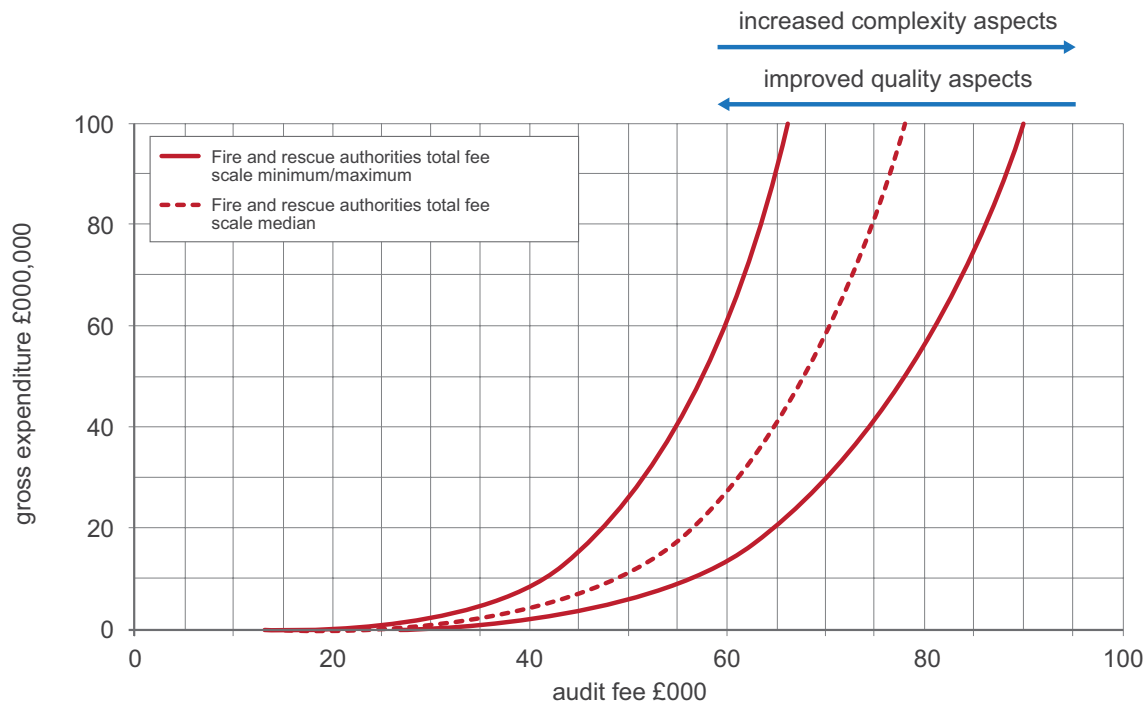
Fee scale for audit of 2017-18 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
20	34	40	46	41
40	41	49	56	49
60	46	54	62	55
80	50	58	67	59
100	53	62	71	63

Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All fire and rescue authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	16	19	16

Graphic of audit total fee scale for fire and rescue authorities



National park authorities

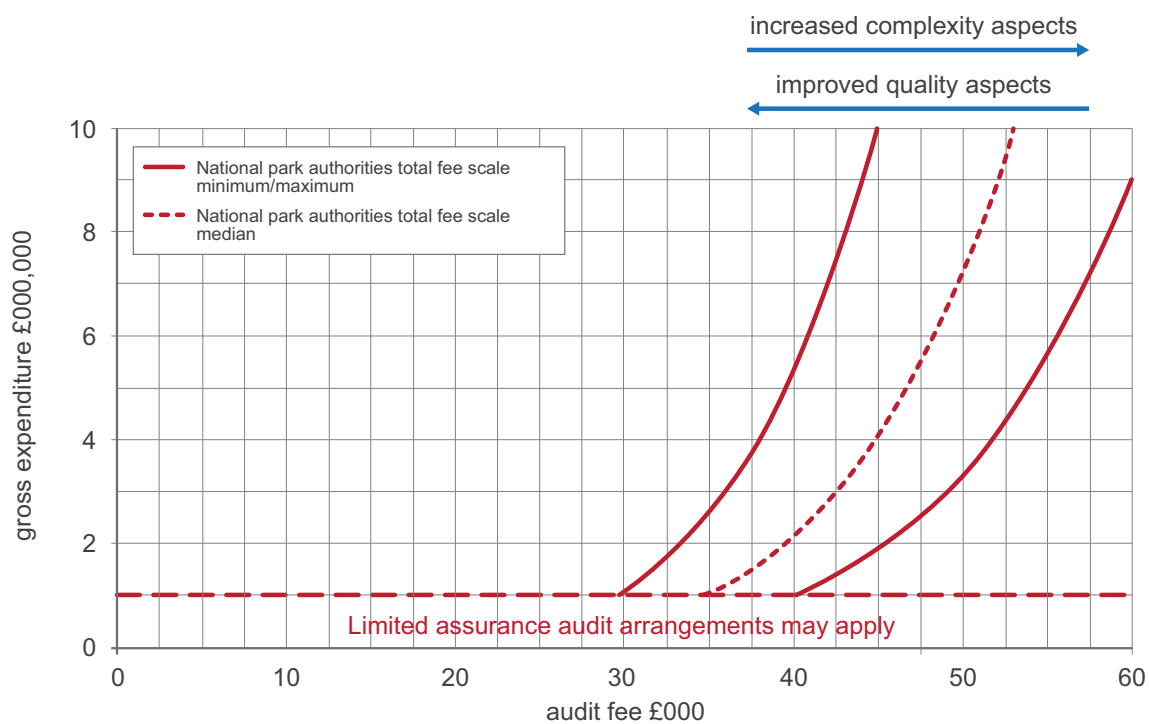
Fee scale for audit of 2017-18 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
2	21	25	29	25
4	26	30	35	30
6	29	34	39	34
8	31	36	42	37
10	33	38	44	39

Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All national park authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	17	19	17 ⁴

Graphic of total fee scale for national park authorities



⁴ Actual fee charged to all Parks for 2017-18. This is not expected to change for 2018-19.

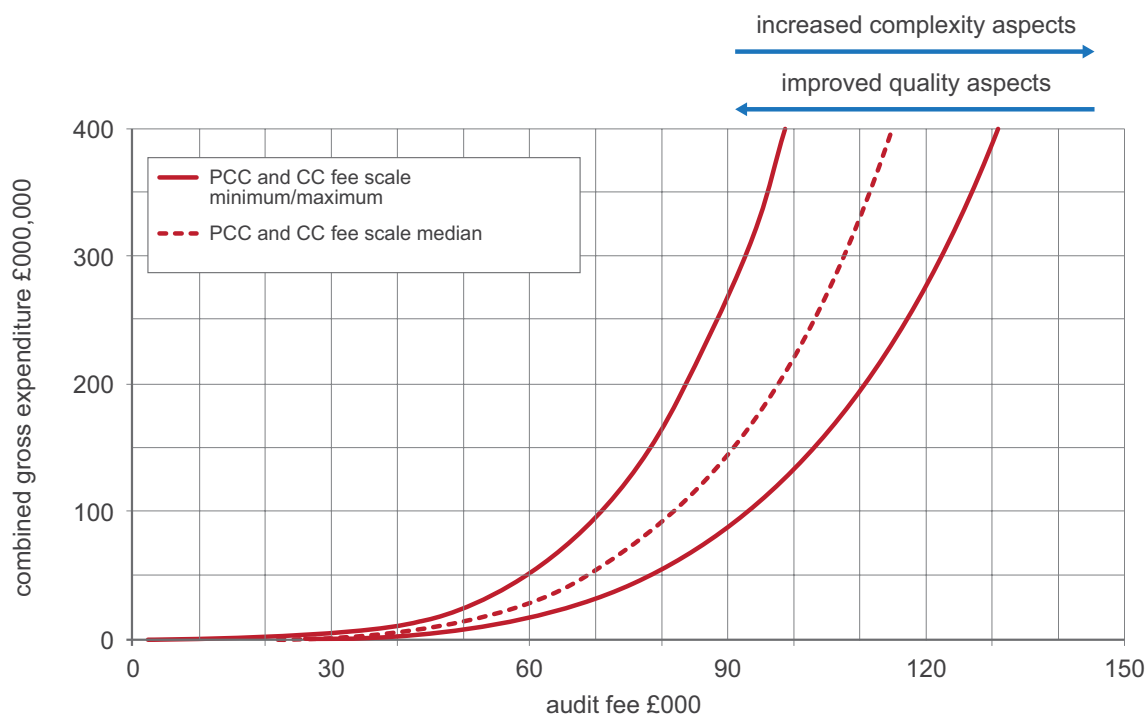
Police and crime commissioners and chief constables

Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCC) and the Chief Constables (CC). 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.

Fee scale for audit of 2017-18 accounts

Combined gross expenditure of PCC and CC £000,000	Combined fee range for PCC and CC £000			Previous year median £000
	Minimum	Median	Maximum	
50	56	66	76	70
100	67	79	91	82
150	74	87	100	91
200	79	94	108	97
250	84	99	114	103
300	88	104	120	107
350	91	108	124	112

Graphic of total fee scale for police and crime commissioners and chief constables



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

Town and community councils in Wales are subject to a limited assurance audit regime. Since 2016-17 we have charged for this work on a time basis rather than the historical basis of a fixed fee according to expenditure/income bands.

The fee rate charges are as set out in [Exhibit 1](#).

In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor's concerns.

It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The ranges provided in the table below are for indicative purposes only.

Estimated time charges for audit of 2017-18 accounts of town and community councils

Annual income or expenditure	Indicative baseline charge	Indicative upper range fee
£0 – £5,000	£140	£280
£5,001 – £100,000	£160	£320
£100,001 – £500,000	£200	£380
£500,001 – £2,500,000	£240	£460

Local government pension funds

Fee scale for audit of 2017-18 accounts

All pension funds	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	33	40	55	40

Fee rates for other work in local government

The audit of other types of local government body, work which goes beyond the general duties of the Auditor General, and grant certification work

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](#). It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.

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). 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.

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 or any particular issues in respect of the grant in question.

Estimates of the relative proportions of financial audit staff grades to be used for different types of grants work are provided below.

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
Team leader	18 to 21	12 to 16
Team member/trainee	77 to 71	87 to 81

Complex grants include:

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

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

In order to support Welsh public bodies in combating fraud, the Auditor General conducts the National Fraud Initiative (NFI) in Wales on a biennial basis. The NFI is also run in England, Scotland and Northern Ireland. 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. Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £30 million of fraud and overpayments in Wales and £1.3 billion across the UK.

The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.

Since April 2016, the National Assembly has met the costs of running the NFI through payment from the Welsh Consolidated Fund as approved through the Wales Audit Office's Estimate, so ensuring that voluntary participants are not charged a fee for participation. As required by legislation, the fees for mandatory participants are shown below.

Exhibit 2: NFI fees

Type of body	Fee 2018-19 £
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards.	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Mandatory participants will also be provided with access to the NFI Application Checker without charge.

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