

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Estimate

2017-18



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Estimate of the Income and Expenses for the Year Ended 31 March 2018

Jointly prepared and laid before the National Assembly for Wales
under Section 20(1) of the Public Audit (Wales) Act 2013.

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Auditor General for Wales

Isobel Garner
Chair, on behalf of the Wales Audit Office

This document is also available in Welsh.

We welcome correspondence and telephone calls in Welsh and English.
You can also write to us in either Welsh or English and we will respond in the
language you have used. Corresponding in Welsh will not lead to a delay.

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 and for public bodies in Wales to understand how to improve outcomes. We are clear that 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.

This Estimate demonstrates the Board's determination that the Wales Audit Office is itself a well-run and accountable organisation. For 2017-18 we are proposing net funding that is £152,000 less (four per cent in real terms) than was approved for 2016-17.

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.

The consultation feedback has told us that whilst audited bodies welcome our continued three-year freeze in fee rates they would like us to review the way we carry out our audits in light of the financial challenges they are facing. We are responding to this with our strategic transformation project and through the Auditor General's proposals for auditing delivery against the Well-being of Future Generations Act. The Finance Committee supported this in our Estimate for 2016-17, along with funding to expand and promote the development of accounting trainees for the public sector in Wales. Work continues on these three important projects and this is reflected in this Estimate.

The Estimate and Fee Scheme precede our Annual Plan, which sets out our key priorities, objectives and performance measures for the year ahead, providing a fuller picture of the use of the resources secured through the Estimate. Our Annual Plan for 2016-17 included forward priorities for 2017-18, which will be delivered through this Estimate and be further detailed in the [Annual Plan for 2017-18](#), to be laid before the National Assembly in March 2017.

As we present this Estimate and draft Fee Scheme for the Finance Committee's consideration, we stress our determination for the Wales Audit Office to play its part in a time of austerity whilst ensuring that we continue to challenge and help public bodies secure change and improvement.

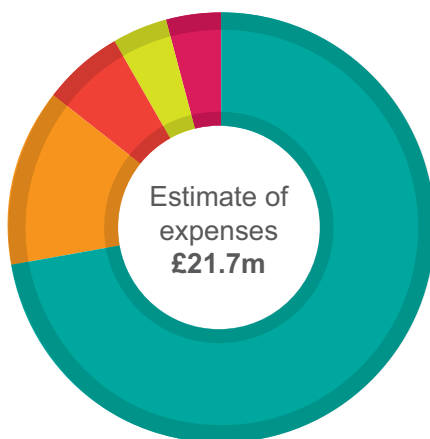
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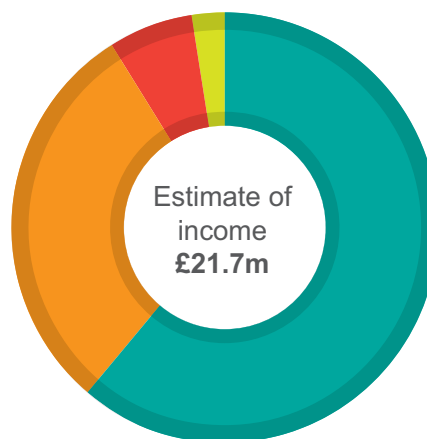
Value for money at the Wales Audit Office

- 1 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](#).
- 2 We expect to spend £21.7 million in 2017-18 delivering public audit across Wales. This equates to less than one penny in every five pounds voted on annually by the National Assembly.
- 3 [Exhibit 1](#) demonstrates where we plan to spend this money in 2017-18 and how it will be funded.

Exhibit 1



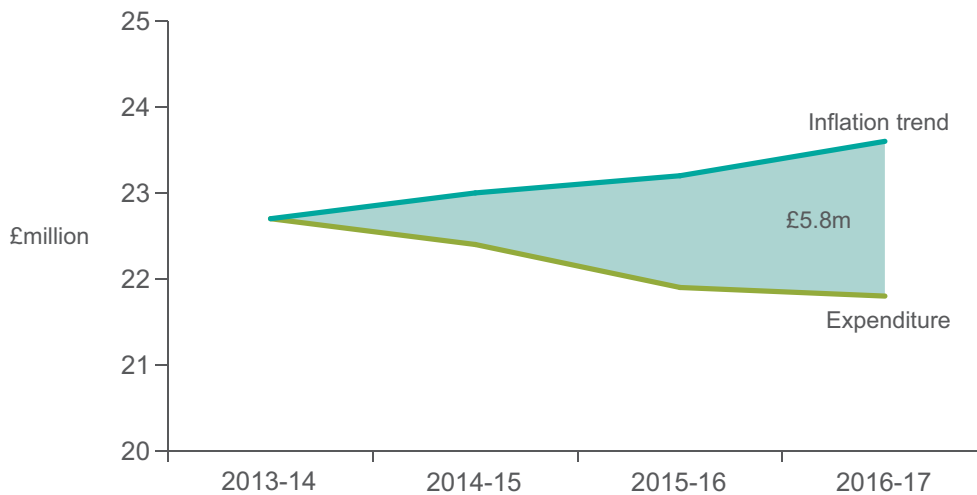
- Staffing £15.7m
- Support costs £2.9m
- Travel £1.3m
- Contractor staff £0.9m
- Audit firms £0.9m



- Audit and inspection fees £13.3m
- WCF £6.5m
- Grant certification fees £1.4m
- WG grant funding £0.5m

- 4 Our 2016 stakeholder engagement survey with public services' Chief Executives, demonstrated that 97 per cent have confidence in the work of the Wales Audit Office, 79 per cent say our work had led to improvement in public services, and 83 per cent see us as a well-run organisation. Our subsequent consultation on fee rates for next year, coupled with our [Annual Report and Accounts 2015-16](#) and this Estimate, sets out our approach to ensuring continued value for money in terms of the overall cost of public audit work.
- 5 Since 2013-14, the year prior to the full implementation of the Public Audit Wales Act 2013, the Wales Audit Office has reduced its **expenditure by 10 per cent in real terms**¹, as represented in [Exhibit 2](#). The cumulative saving generated across those years (the shaded area in [Exhibit 2](#)) amounts to almost £6 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.
- 6 These savings build on real-terms reductions in expenditure of over 20 per cent between 2009-10 and 2013-14.

Exhibit 2 – Expenditure 2013-14 to 2017-18



¹ Based on GDP deflators published by ONS, June 2016.

- 7 Reductions in expenditure have been planned in response to the austerity measures being faced by our audited bodies, reductions in the overall quantum of work undertaken, and in achieving our own ambitions under our Smarter, Leaner, Better efficiency and effectiveness programme.
- 8 Over the same period we have worked hard to absorb cost increases from pay awards, contractual salary increments, general inflation and increases in employers' national insurance and pension contributions.
- 9 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 2017-18. **Exhibit 3** summarises cash savings identified since 2013-14 and those proposed for 2017-18.

Exhibit 3 - Savings achieved and planned

	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	Total
Savings from new contractual arrangements with audit firms	–	165	640	–	805
Savings from reviewing management and administrative costs	300	410	140	–	850
Savings from improving the efficiency of our operations	–	185	220	405	810
TOTAL	300	760	1,000	405	2,465

- 10 Importantly, the above savings are enabling us to meet cost increases without impacting fee rates. We have also actively managed reductions in our fee/grant income base without needing to revisit fee rates or seek additional funding from the National Assembly. During the past year, we completed difficult negotiations to close the Wales Audit Office lease car scheme and introduce a revised Travel Scheme for staff that will deliver savings of circa 10 per cent annually on our travel costs, so further reducing our overhead costs in the years ahead.
- 11 We have reviewed the skills mix of our financial audit teams, to enhance our graduate trainee scheme linked to the implementation of the Pan-Wales Finance Trainee programme creating Wales's future finance professionals. In the medium term, this will help contain the cost of audit work.
- 12 Looking ahead, whilst our current transformation project on the use of data and information technology is unlikely to impact significantly on our audit fees in 2017-18, we expect it to lead to longer-term changes in our audit approach, positively influencing both our cost base and our fees.
- 13 Having frozen fee rates since 2014-15 we are able to propose a **further freeze for 2017-18** as set out in our draft Fee Scheme which is included within this document. This represents a four per cent real-terms reduction in fee rates since 2014-15.

Insight, assurance and promoting improvement

- 14 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 15 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](#).
- 15 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, a grant for the Wales Programme for Improvement (WPI) work, and funding from the Welsh Consolidated Fund (WCF).
- 16 The Board provides highly skilled staff to undertake broadly 90 per cent of the Auditor General's work programme, complemented by a further 10 per cent of audit resource contracted from private sector accountancy firms and specialist contractors.
- 17 Our [Annual Plan for 2016-17](#) sets out our strategic priorities, as below, and this Estimate for 2017-18 demonstrates the funding needed against those priorities for next year.

Our Strategic Priorities

Continue to undertake our audit work with an austerity emphasis



We will continue to place increased emphasis on strengthening financial management across the Welsh public sector and improving the effectiveness and efficiency of the use of public resources and assets.

Our audit work will focus on assisting service transformation and helping public bodies cope with, and succeed despite, the impact of funding reductions.

Report more comprehensively on the effectiveness of governance arrangements



We will enhance our audit work on governance arrangements to support public bodies in meeting their responsibilities under the new legislation.

Increasingly, our consideration of financial resources, and the way in which public bodies account for their use, will be integrated with a consideration of their stewardship of human and natural resources.

Strengthen our workforce strategy so we can better respond to future developments



We will strengthen and optimise our workforce strategy to ensure we can both meet current demand and are able to anticipate and respond to future developments.

Our emphasis will be on having the right number and a diverse mix of people, with the right skills, knowledge and experience, in the right place, at the right time and at the right cost.

Make more effective use of data and information technology



We will undertake audit work focussed on audited bodies' capacity to exploit digital transformation and their digital risk awareness.

We will also seek to take steps to enhance the impact of our work through further exploring new technology and maximising the effectiveness of our data collection, analysis and communication findings.

- 18 In contrast to other UK Audit Offices, for historic reasons, much of our audit work is funded from fees charged to audited bodies. This Estimate provides resourcing specifically for national value for money and reactive studies, exchange of Good Practice across public services, Local Government national studies, preparatory work associated with the Well-being of Future Generations Act 2015 and the Welsh Revenue Authority and technical support, research and development including audit compliance and quality assurance.
- 19 Specific recent examples of this work include a review of financial resilience in Local Government, a report on Coastal Flood and Erosion Risk Management and an investigation into the Welsh Government's funding for Kancoat Ltd. We aim to deliver around 10-12 reports for consideration by the Assembly's Public Accounts Committee each year along with two to three national Local Government Studies.
- 20 The Wales Audit Office needs to continue to work within the context of the wider public sector funding challenges and political and legislative changes. These changes can both increase and reduce the volume of audit work required and change the nature of the work required and the skill sets needed in our workforce. In order that we can respond in an agile manner we are strengthening our workforce strategy. Investment in staff skills remains important to us; this Estimate continues resourcing for staff learning and development and the expansion of our successful programme to develop accounting trainees for the Welsh public sector.
- 21 The fourth Assembly's Finance Committee supported our ambitions to challenge our existing use of data and technology, question the assumptions we normally take for granted and develop radical solutions as to how we might use new technology to transform our audit and business processes by 2025. We expect this work to lead to changes in our audit approach in the medium to longer term, reducing both our cost base and our fees.
- 22 This Estimate identifies resourcing to continue this strategic transformation work and to maintain sectoral intelligence through close, senior level engagement across the sectors we audit..
- 23 Our Estimate also provides funding to allow both mandatory and voluntary participants in the **National Fraud Initiative** (NFI) to do so free of charge. Public bodies tell us that the Assembly's funding of this free service, through our Estimate, is valued. 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. At least eight additional organisations have expressed an interest in participating in this year's NFI in response to the Finance Committee's supporting participation on a no-cost basis.

Providing resources to the Auditor General for Wales – priorities and funding for 2017-18

- 24 Broadly, 70 per cent of the Wales Audit Office's expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government for the Wales Programme for Improvement (WPI). The remaining 30 per cent is provided directly from the Welsh Consolidated Fund (WCF).
- 25 In 2016-17, Welsh Government WPI grant funding was reduced by 50 per cent subsequent to the approval of our Estimate for 2016-17, resulting in a reduction in the amount of work that is being carried out at Local Authorities. This Estimate is predicated on there being no further reduction in the amount of grant received from the Welsh Government to fund work undertaken to support improvement within Local Government. If a reduction is announced, we may find it necessary to return to the Finance Committee.

Priority: the audit approach under the Well-being of Future Generations Act 2015

- 26 The Well-being of Future Generations (Wales) Act 2015 requires specified public bodies to set and publish well-being objectives, take steps to meet those objectives and report annually on their progress. The Act 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.
- 27 Evidence was provided to the last Assembly's Environment and Sustainability Committee on the estimated cost of this new duty placed on the Auditor General. At that time our estimate was in the range of £225,000 to £875,000 per annum. We are looking to minimise additional costs by working with audited bodies to develop our audit approach. By building on and adapting existing audit approaches in local government and health in particular, we now estimate that the additional cost of implementing the Auditor General's duty under the Act will be at the lower end of that range.
- 28 Funding of £422,000 was agreed in our Estimate for 2016-17 to allow us to develop and test our audit approach. [Exhibit 4](#) details how we are spending this money in 2016-17.
- 29 We have urged the Welsh Government to reconsider the audit requirements for Local Government under Part 1 of the Local Government (Wales) Measure 2009. The Auditor General has previously given evidence to the National Assembly that reducing the extensive assessment requirements placed on him by the Measure and introducing instead simplified improvement planning and reporting requirements that are integrated with other legislation would have the potential to reduce costs for both Local Authorities and auditors, ensuring that limited resources are used to best effect. Our stated position, for Local Government, is that the additional fees which we are required to charge in respect of work arising from the Well-being of Future Generations Act should be offset by the reductions in fees that would result from either the repeal or reform of the Measure. Fee Consultation responses from Local Government bodies have reinforced this view.
- 30 For health bodies, we will seek to adapt existing audit work to meet the new requirements so as to minimise any increase in fees beyond 2017-18.

Exhibit 4

Wellbeing of Future Generations Act –2016-17
We have carried out a consultation with the public bodies specified in the legislation and other key stakeholders , inviting views on re-shaping our audit approach in response to the Act. Eighty per cent of bodies covered by the Act responded to the consultation, along with 23 other stakeholders.
The responses demonstrated widespread support for the principles of public audit and a majority view in favour of a redesigned and more consistent audit approach based on a common governance framework. The Auditor General published his review of those responses in an open letter to public service leaders, in August 2016.
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, to backfill audit staff involved in development activity and to buy in specialist expertise, without passing on those costs through fees.
A joint stakeholder event with the Future Generations Commissioner is to be held in Cardiff on 22 November 2016. At the event the Auditor General and the Commissioner will set out how they are working together under the Act and will launch their Memorandum of Understanding.
The Wales Audit Office Good Practice Exchange has held a number of shared learning events on themes related to the Act, including a very successful event on 'The Future of Governance: Effective decision making for current and future generations'.

- 31 For central government bodies, the Auditor General's duty under the Act necessitates additional audit work, which will inevitably result in additional fee charges beyond 2017-18 unless an alternative funding model is put in place. Fee Consultation feedback indicates that the smaller, Welsh Government Sponsored Bodies will struggle to absorb these additional costs in the absence of additional funding from the Welsh Government.
- 32 Following our initial development and testing of audit approaches in 2016-17 it will be necessary to evaluate and refine our audit approach. This will continue our development activity into 2017-18, hence our inclusion of continued development funding, albeit at a lower level, into 2017-18.
- 33 **We are reducing funding allocated for this priority to £300,000 for 2017-18, which will include £150,000 to complete our development work and £150,000 to moderate the fees we would otherwise have to charge to audited bodies for this work.**

Priority: promoting the development of graduate accounting trainees

- 34 In the 2016-17 Estimate, we set out our proposal to expand and enhance our existing trainee programme by offering secondments across the public sector in Wales. The Finance Committee supported additional funding of £132,000 for this objective. Our proposal had 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. [Exhibit 5](#) details what we have achieved to date with this funding.

Exhibit 5

Graduate Trainee Programme – Achievements to date
For the first time we have brought together Directors of Finance from across the public sector in Wales to help develop a consistent understanding of future skills requirements. This includes local government, NHS Wales, the Welsh Government and its Sponsored Bodies, fire and rescue authorities, police, higher education and further education, ONS, Companies House, DVLA and the Royal Mint.
We recruited nine new graduate trainees in 2016. This increases the total number of Wales Audit Office graduate trainees to 26 as at September 2016.
Five Wales Audit Office trainees are due to be seconded to other public sector bodies during 2016-17 (Cardiff City Council, Welsh Government, Cwm Taf Health Board, South Wales Police and Betsi Cadwalader University Health Board) Appropriate safeguards will be put in place to ensure the Auditor General's audit independence.
The above has encouraged further secondments within and across participating bodies, including the Welsh Government, Cardiff University, Betsi Cadwaladr University Health Board and Aneurin Bevan Health Board.
An enhanced trainee skills development programme is being rolled out that will culminate in an accredited junior leadership programme. This will constitute accredited first line management training in the final year of their professional studies. We are exploring whether this junior leadership programme can be extended to trainees in other public bodies.
A Trainee conference has been arranged for 1 November 2016 at which we are expecting around 200 finance students from across the public sector. We have achieved a high level of interest from students and public sector leaders (who are supporting and speaking at the event).
One of our Directors, Ann-Marie Harkin, has won a Leading Wales Award in recognition of what judges called her 'clear vision' and her work to develop the next generation of public sector finance professionals.

- 35 A further 10 graduate trainees will be brought in to the scheme in 2017-18, along with a further two full-time equivalent secondment opportunities being made available, bringing it to 10 to 12 full-time equivalent opportunities annually.
- 36 In collaboration with other public sector bodies, we are undertaking preliminary work on the establishment of a finance apprenticeship scheme. This work has been delayed pending clarification as to how the apprenticeship levy is to work in Wales. However, we are firmly committed to the establishment of a scheme in the Wales Audit Office and will be looking to learn from the experience of other UK Audit Offices.
- 37 **In order to continue to underpin the pan-Wales secondment scheme we are allocating funding of £212,000 for 2017-18, an increase of £80,000 over the current year.**

Priority: ensuring compliance with Welsh Language Standards

- 38 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 will be providing training to our reception staff to ensure they can provide bilingual services.
- 39 **In order to provide necessary Welsh Language training and cover for reception staff, we are allocating funding of £20,000 in 2017-18.**

Funding: estimated use of the Welsh Consolidated Fund

- 40 **Exhibit 6** sets out the areas of expenditure funded from the WCF rather than the fees we charge audited bodies. These are costs that are more closely linked to our role in providing audit leadership, setting standards, delivering National Assembly policy and supporting National Assembly scrutiny.
- 41 **This represents a reduction of £152,000** from our Estimate for 2016-17.

Exhibit 6 - Estimated use of WCF

	Year to 31 March 2018 £'000	Year to 31 March 2017 £'000
Cost of providing value-for-money studies by the Auditor General including reactive studies, Local Government National Studies, all-Wales summaries of local audit work and responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others. (Staff time and associated costs)	2,490	2,490
Technical support, research and development including compliance and quality assurance. (Staff time and associated costs)	744	744
The Good Practice Exchange. (Staff time and associated costs)	540	540
Support for Wales Audit Office audit trainees. (Cost of non-chargeable study time and management support)	320	320
Pan-Wales Graduate Trainee programme (paragraphs 34 to 37)	212	132
Investment in staff learning, development and succession planning. (External training costs plus non-chargeable staff time)	500	500
Providing support to the Public Accounts Committee and other National Assembly committees. (Staff time)	420	420
Wales Audit Office Governance. (Cost of the Board plus staff time supporting governance arrangements)	300	300
Equalisation of all-Wales travel costs. (Ensures that audited bodies are not disadvantaged by their geographical location)	300	300
Strategic transformation and sectoral intelligence. (Staff time)	230	230
Developing our audit approach for the Well-being of Future Generations Act (paragraphs 26 to 33)	150	422
Moderating the impact on fees for work required to comply with the requirements of the Well-being of Future Generations Act (paragraphs 26 to 33)	150	–
Preparatory work for the Welsh Revenue Authority. (Staff time)	50	50
Cyclical funding for the National Fraud Initiative (paragraph 23)	50	180
Depreciation funding for capital assets (historical and non-cash)	50	50
Ensuring compliance with Welsh Language standards (paragraphs 38 to 39)	20	–
Total revenue expenditure requirement	6,526	6,678

Capital and ICT investment

42 Our capital investment priorities for 2017-18 to 2019-20 linked to our internal IT Strategy are set out in [Exhibit 7](#). The agreed programme for 2016-17 is provided for information.

Exhibit 7 - Capital Investment Priorities

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Planned PC/IT renewal	50	50	50	50
Performance Audit knowledge management system	80	80	–	–
North Wales office relocation	50		–	–
Network infrastructure renewal	40	20	40	50
Video conferencing infrastructure renewal	30	30	10	30
Strategic Transformation Project	–	50	50	50
Replacement Financial System	–	100	150	–
Replacement telephony system		50	–	–
TOTAL	250	380	300	180

- 43 **Planned PC/IT Renewal**
A rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains up to date and reliable. Planned replacement leads to lower costs over the long term, by minimising the incidences and impact of equipment failure and maximising the productivity of professional staff.
- 44 **Performance Audit Knowledge Management System**
Following the delivery of the new audit platform for Financial Audit work, we are continuing with a programme of work to design, test and implement IT solutions to support the delivery of our Performance Audit work.
- 45 **Network Infrastructure Renewal**
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.
- 46 **Video Conferencing Infrastructure Renewal**
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.
- 47 **Strategic Transformation Project**
Our Strategic Transformation project is looking at improved use of data and technology during 2016-17. The project is looking beyond the short term to find ways we can improve our business offering for clients, taking advantage of the rapid developments underway in the technology marketplace. This will potentially require investment in new equipment and software.
- 48 **Replacement Financial System**
We are looking to replace or upgrade our current financial system to ensure that our internal processes and reporting functionality continue to meet best practice standards. This significant investment remains subject to consideration of a full business case in early 2017 and may be spread over two years to reflect the likely timescale for implementation.
- 49 **Replacement Telephony System**
Our current telephone system will need to be replaced to ensure it remains reliable and up to date. When we replace the system we will ensure it has the required functionality to ensure compliance with Welsh Language Standards.

The complexities of our fee regime

- 50 We do not generate profits on our fees. Under legislation, we must **charge no more than the full cost of the exercise of a function**. Unlike commercial audit firms we cannot take one assignment at an audited body with another. Where we make a surplus on an individual audit assignment, we have to refund it to the audited body regardless of other work we may be doing with them. Where we incur additional costs over the agreed fee, we assess the reasoning and form a view as to whether we should pass on that cost to the audited body. The Public Audit (Wales) Act 2013 legitimises the charging of all additional costs, but the realities of application mean there is a real tension with audited bodies where we seek to charge costs greater than the fee that we originally estimated for the work. The Fourth Assembly's Finance Committee acknowledged our challenge (and that of the public sector as a whole) in grappling with these complexities.
- 51 We calculate fee rates by dividing our total estimated costs, other than those covered by the WCF, by the amount of audit work to be undertaken in the year. We set our audit fees based on the estimated skills mix and number of days required to complete the work. The actual expenditure, actual skills mix and actual days' work for each individual audit project inevitably differ and the fee originally set may be found to be less than or exceed the actual costs we incur. Alongside those factors, we must of course remain within approved budget limits in each financial year, with no scope for carrying forward funding balances from one year to the next, whereas most of our audit projects straddle two financial years. In essence, we are constrained by the rigidity of the funding and accounting regime.
- 52 A funding model which allows for greater flexibility in the fee regime, or one which provides greater emphasis on core funding through the WCF and less on specific fee charges, would likely be significantly more efficient and cost-effective to administer. This would also be consistent with the regime required of other audit bodies in the UK. As part of our own commitment to work Smarter, Leaner, Better in these challenging times, we will be commissioning a review of the current regime and will be looking to consult on the outcome of this work early in 2017. We will present the outcome of that consultation to the Finance Committee.

Fee Scheme 2017-18

- 53 Included within this Estimate document is our draft Fee Scheme for 2017-18 ([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 2017-18 before the National Assembly and then advise audited bodies of their estimated fees for next year.
- 54 We again considered it vital to avoid increases in fee rates in light of the financial challenges facing our audited bodies. This Estimate therefore sets fee rates for 2017-18 at the same level as first set from 1 April 2014 ([Exhibit 8](#)), representing a real-terms reduction of four per cent.

Exhibit 8 - Fee rates for audit staff

Grade	Fee rate 2017-18 (£ per hour)	Fee rate 2016-17 (£ per hour)
Engagement director/lead	162	162
Audit manager	111	111
Performance audit lead	93	93
Financial audit team leader	75	75
Performance auditor	65	65
Financial auditor	56	56
Graduate trainees	43	43

- 55 We went beyond the statutory fee consultation requirements and, in August 2016, consulted with all audited sectors and other stakeholders on our fee scales and fee rates for 2017-18.
- 56 Consultation responses, from across all the sectors audited, told us that:
- Most bodies welcomed the proposed freeze in fee rates and the continued nil charge for NFI work. A number of bodies stated that they would not participate in the NFI if they had to pay to do so.
 - Smaller Welsh Government bodies in particular were concerned about the impact of additional fees for WFG audit work, which they fear will not be funded by their sponsoring departments.
 - A small number of bodies queried whether our fees represented value for money and asked that we reconsider our audit approach. We are responding to this in this Estimate and through our Strategic Transformation project.
- 57 The Board welcomes this feedback and has taken it into account in finalising this Estimate and the enclosed draft Fee Scheme.

Forward look

- 58 The evolving landscape for our public audit work presents a complicated picture for the Wales Audit Office, encompassing:
- any impact of Brexit on funding and legislation;
 - continued public sector funding restraint and responses to it such as new models of service delivery and financing mechanisms;
 - digitisation of service delivery, increased public access to audit-related data and expanded use of social media and other digital communication;
 - the Welsh Government's legislative programme and any impacts for the work of the Auditor General;
 - impacts of further devolution and tax-raising powers for Wales;
 - earlier closure of local government accounts from 2018-19, with resultant impacts on resourcing across both local government and the Wales Audit Office; and
 - public sector pay restraint competing with significant increases in private sector trainee and qualified auditor salaries.
- 59 Within the changes above, we are expecting a continued increase in the amount of correspondence from the public and other stakeholders and associated reactive work.
- 60 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, £405,000 in 2017-18, through our Smarter, Leaner, Better 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
 - maintaining capacity for transformational thinking in our approaches to audit work.
- 61 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 2018

- 62 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.
- 63 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2018, 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.
- 64 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 2017-18 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	6,526
• Capital	380
Accruing resources from fees and charges for audit, grant certification and related services; grants received to fund audit 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.	15,154
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	6,706

65 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	6,906
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	6,706

Appendix 1 – Wales Audit Office income and expenses

	Estimate, year to 31 March 2018 £'000	Forecast, year to 31 March 2017 £'000
Staff costs	15,411	15,275
Contractor staff	870	980
Travel and subsistence	1,299	1,267
Private sector firms (including VAT)	874	869
Accommodation	938	936
ICT	399	433
Balance of irrecoverable VAT	390	390
Wales Audit Office Governance Arrangements	300	300
External training	255	275
Legal and professional fees	201	295
Translation of documents	145	120
Other costs	598	819
EXPENSES TOTAL	21,680	21,959
Audit fees	13,288	13,375
Grant certification fees	1,406	1,411
WPI grant from the Welsh Government	460	495
INCOME TOTAL	15,154	15,281
Total revenue budget to be funded by WCF	6,526	6,678

Analysis of estimated fee income

Sector	Audit of accounts £'000	Performance audit £'000	Grant certification £'000	Total 2017-18 £'000	Total 2016-17 £'000
Local government bodies	5,785	2,538	1,406	9,729	9,738
Central government bodies	1,790	–	–	1,790	1,850
NHS bodies	1,886	1,224	–	3,110	3,115
Other income	37	28	–	65	83
Total fee income	9,498	3,790	1,406	14,694	14,786
2016-17 Comparator	9,553	3,822	1,411	14,786	–

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, one internal drainage board, eight pension funds, 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, three fire and rescue authorities, and three 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. Future funding likely to be a combination of fees and WCF, following approval by the National Assembly.
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 15 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 2017-18

Introduction

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.

For the first time, the Wales Audit Office Estimate (for 2016-17), considered by the Finance Committee in November 2015, included a draft Fee Scheme in full. This new approach reflects the Wales Audit Office Board's determination to further enhance transparency and to demonstrate the direct relationship between our cost base and its resultant impact on fee rates.

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 2017-18, we proposed in the Estimate:

- A **third-year** freeze of fee rates and fee scales in cash terms, which feedback told us would be welcomed. In real terms this represents a reduction of four per cent since those rates were set in 2014-15.
- To meet cost pressures in relation to staff pay, inflation and other costs through internal savings and efficiencies so as not to affect fees.
- 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 continue to finance development work associated with the Well-being of Future Generations Act 2015 from a charge on the Welsh Consolidated Fund rather than through fees charged to affected bodies.
- To expand 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.

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.

Broadly, 70 per cent 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 30 per cent 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

[Annex 2](#) sets out the enactments under which the Wales Audit Office may and must charge fees.

Fee rates and fee scales

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.

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.

Legislation governing the fee regime in Wales is more complex than in other parts of the UK. As the Auditor General outlined to the Finance Committee in the last Assembly, this creates inefficiency and additional cost for the public sector in Wales. We are keen to develop proposals for a simpler and more cost effective arrangement which can be considered by the present Assembly's Finance Committee. We will be looking to consult public services on possible options early in 2017.

We went beyond the statutory fee consultation requirements and, in September 2016, consulted all audited bodies and other stakeholders on our fee scales and fee rates for 2017-18. We received responses from across the sectors we audit. Those responses told us that:

- Continued freezing of fee rates is very much welcomed as is the funding of participation in the National Fraud Initiative.
- There is some concern, particularly amongst Welsh Government Sponsored Bodies at the potential charges for audit work required by the Well-being of Future Generations Act 2015 not being met by Welsh Government funding.
- There is some pressure for a more streamlined audit approach, to help reduce overall fees charged for audit work. Funding identified for transformational thinking in 2016-17 is being used to review our approach. This work will continue in 2017-18.

The Board welcomed this feedback and responds to it through this Fee Scheme and our Estimate.

Exhibit 1 sets out the hourly fee rates for audit staff. These have remained frozen since 2014-15, representing a four per cent reduction in real terms.

Exhibit 1 - Fee rates for audit staff – on all audit work

Grade	Fee rate (£ per hour)
Engagement director	162
Audit manager	111
Performance audit lead	93
Financial audit team leader	75
Performance auditor	65
Financial auditor	56
Graduate trainee	43

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).

Fee scales for the audit of 2016-17 financial accounts and 2017-18 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.

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.

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.

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.

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.

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.

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

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.

During 2016-17, 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. The Auditor General recently carried out a consultation on the implications of the Act on our audit approach. We are taking account of the positive and constructive responses to that consultation as we develop and test our audit approach, working closely with a representative sample of audited bodies and with the Future Generations Commissioner. We expect this development work to continue into 2017-18 and we have sought continued, albeit reduced, funding from the Welsh Consolidated Fund for that purpose.

As we confirm our audit approach over the course of the year, we will talk to relevant audited bodies about the implications of discharging the Auditor General's duty under the Act for fees from 2017-18 onward. For 2017-18, we do not plan to charge additional costs for this work, dependent on Assembly approval of our Estimate. Our aspiration, supported by consultation responses, is to integrate the requirements of the Act into our existing audit work, wherever practicable, as we move towards a consistent framework for review across all the bodies subject to the Act.

Charging of fees

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.

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.

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) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
- (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
- (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly.
- (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	
Audit of accounts by the Auditor General (other than local government accounts)	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement	Section 23(3)(a)-(c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement	Section 23(3)(ba) Public Audit (Wales) Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle)	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body	Section 37(8) of the Public Audit (Wales) Act 2004
Data-matching exercises	Section 64F(A1) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for this work
Advice and assistance provided by the Auditor General for registered social landlords	Section 145D(2) of the Government of Wales Act 1998

Nature of work	Enactments
The Wales Audit Office must charge fees for the following activities	
Work under the Local Government (Wales) Measure 2009	Section 27 of the Local Government (Wales) Measure 2009 A fee scale must be prescribed for this work
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998	Section 23(4)(b) Public Audit (Wales) Act 2013
Auditing the accounts of a local government body and undertaking studies by agreement with a local government body	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
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.	Section 45 of the Public Audit (Wales) Act 2004
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.	Section 41A of the Education Act 1997
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.	Section 145C(3) of the Government of Wales Act 1998

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

Unitary authorities

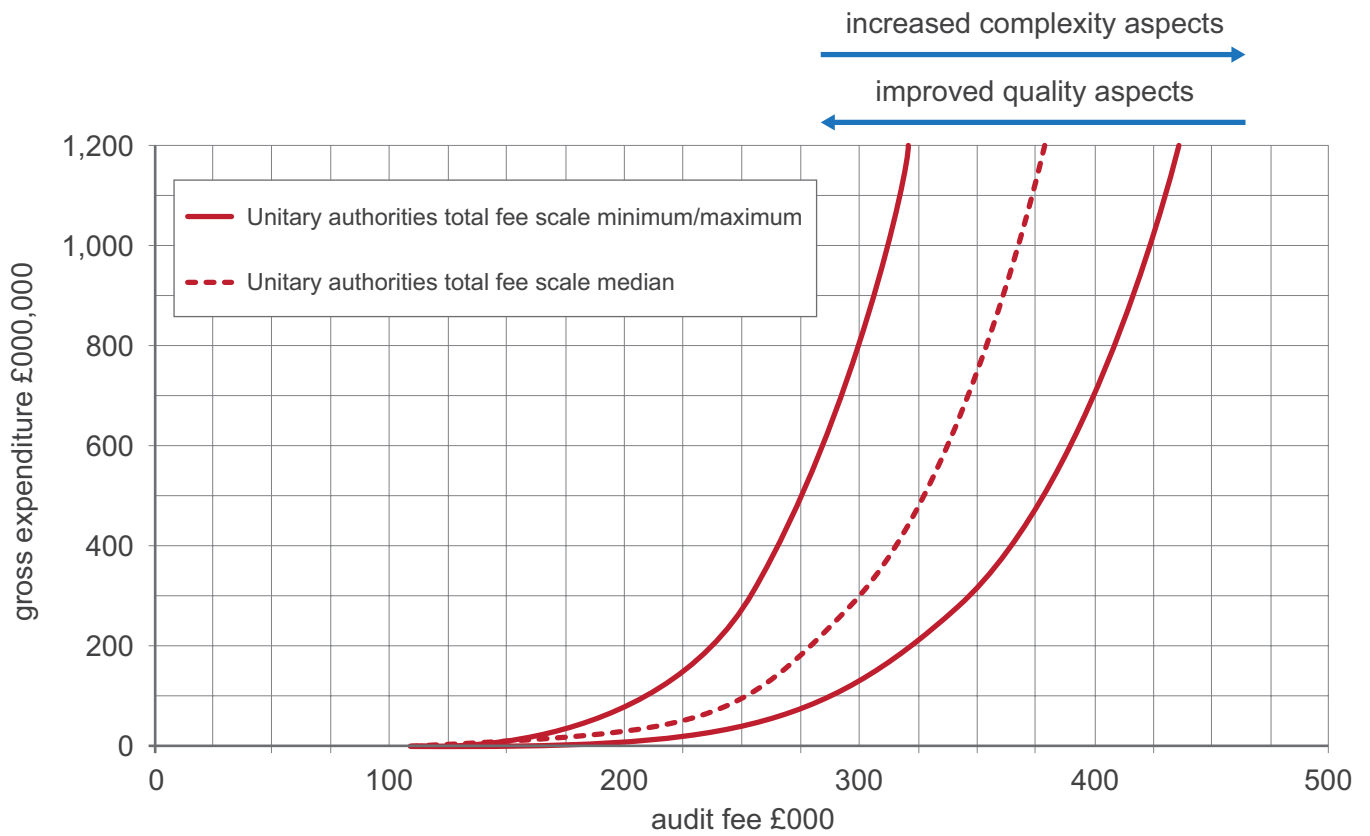
Fee scale for audit of 2016-17 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
100	118	139	160	140
200	142	167	192	168
300	158	186	214	187
400	171	201	231	202
500	181	213	245	215
600	190	224	257	225
700	198	233	268	235
800	205	242	278	243
900	212	249	287	251
1,000	218	256	295	258
1,100	224	263	303	265
1,200	229	269	310	271

Fee scale for 2017-18 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	
	94	112	130	112

Graphic of total fee scale for unitary authorities



Fire and rescue authorities

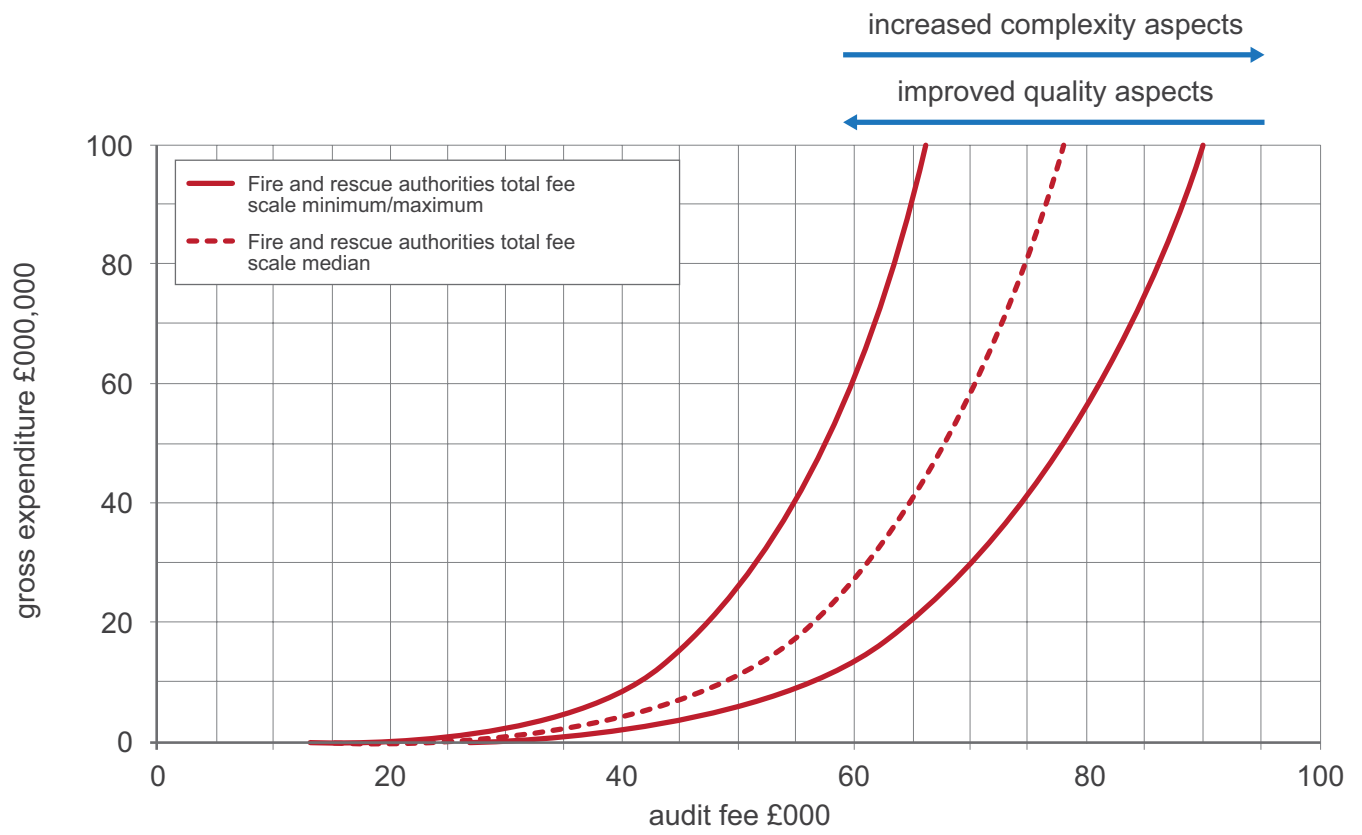
Fee scale for audit of 2016-17 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
20	35	41	47	41
40	42	49	56	49
60	46	55	63	55
80	50	59	68	59
100	53	63	72	63

Fee scale for 2016-17 improvement audits, and 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	
	13	16	18	14

Graphic of audit total fee scale for fire and rescue authorities



National park authorities

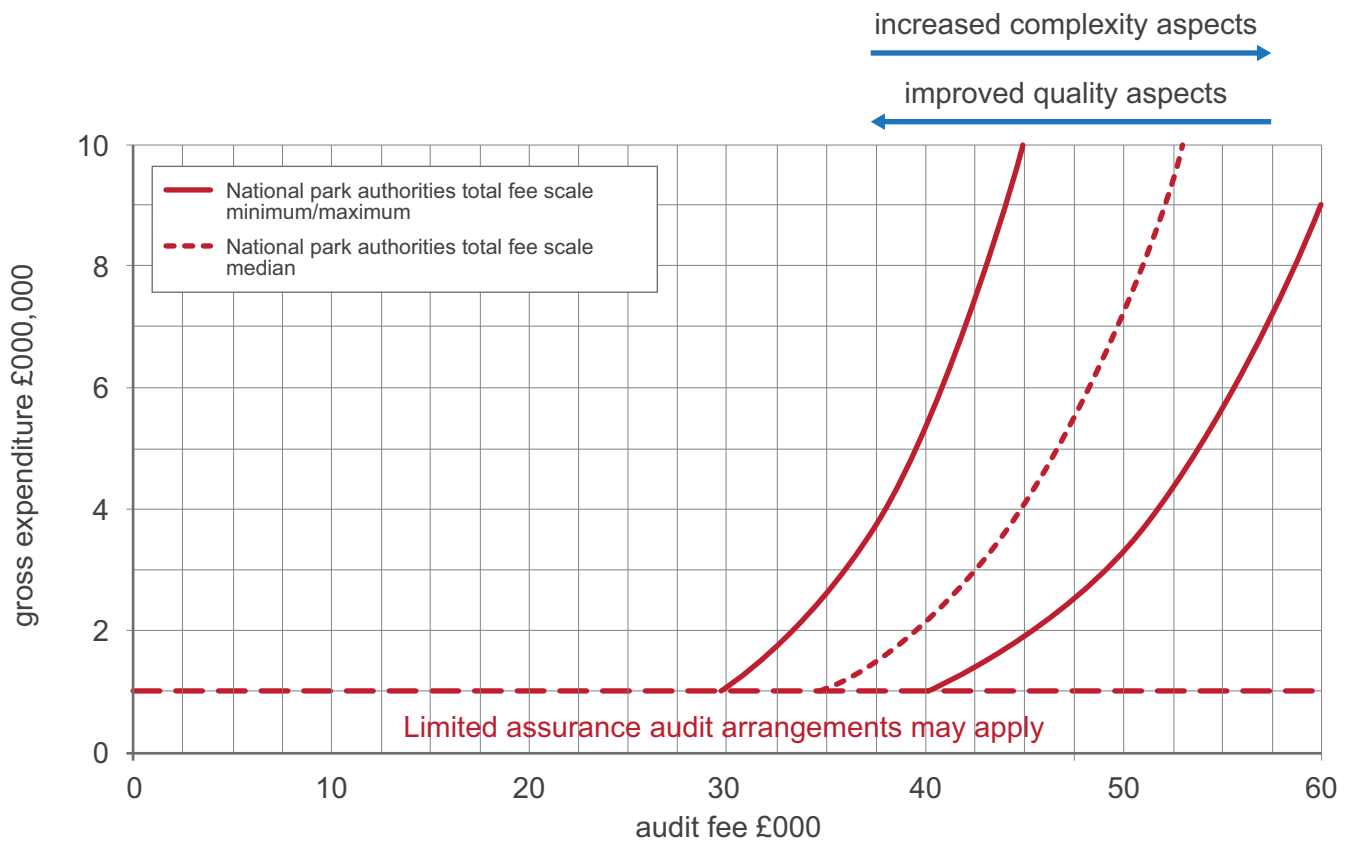
Fee scale for audit of 2016-17 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
2	21	25	29	25
4	26	30	35	31
6	29	34	39	34
8	31	37	42	37
10	33	39	45	39

Fee scale for 2016-17 improvement audits, and 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	
	12	14	17	7

Graphic of total fee scale for national park authorities



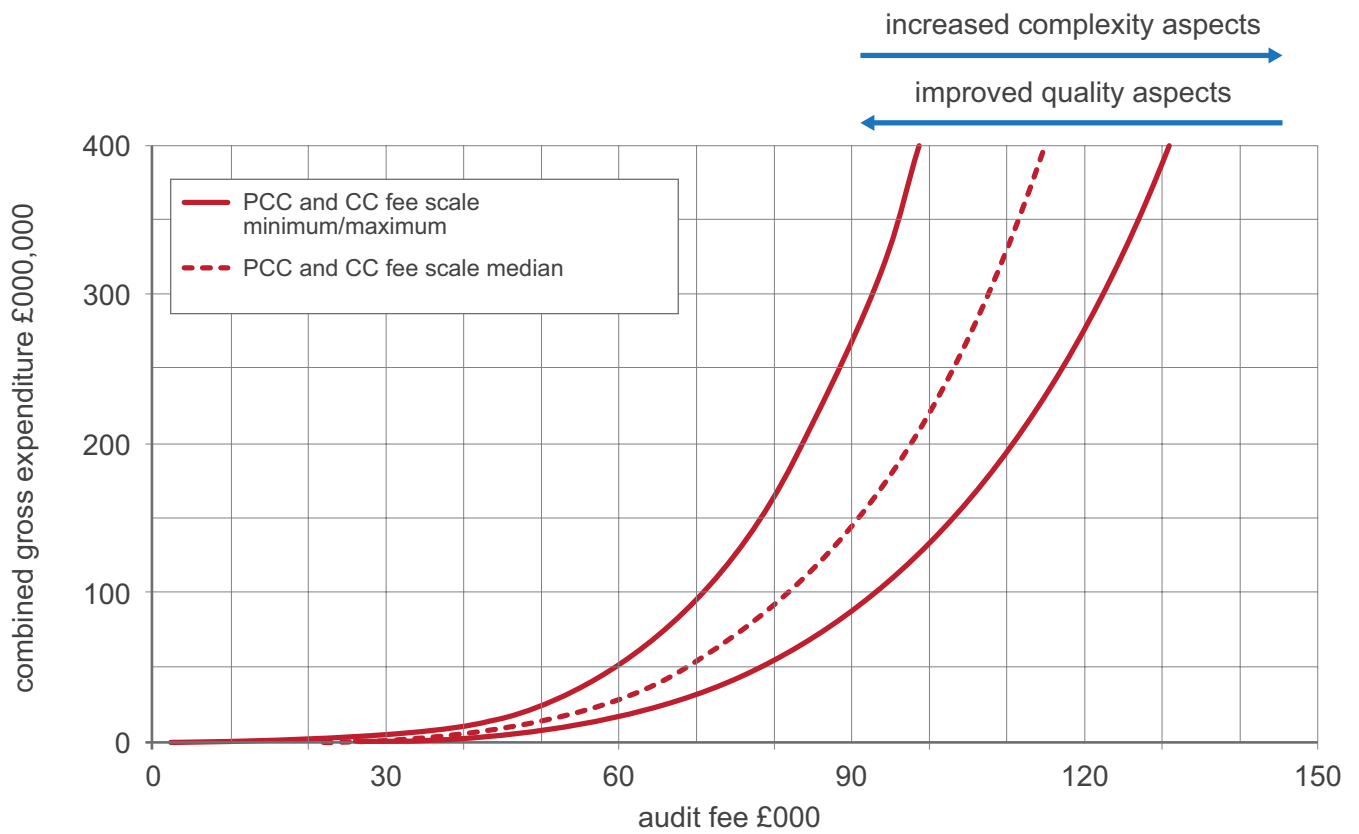
Police and crime commissioners and chief constables

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 2016-17 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	60	70	79	70
100	71	82	93	82
150	78	91	103	91
200	84	97	111	98
250	88	103	117	103
300	92	107	122	108
350	96	112	127	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. For 2016-17 we will charge for 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](#). The estimated impact of this switch is set out in the table below.

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 2016-17 accounts of town and community councils

Annual income or expenditure (fees are payable on whichever is the higher each year)	Indicative baseline charge	Indicative upper range fee
£Nil – £99	£Nil	£Nil
£100 – £5,000	£30	£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 2016-17 accounts

All pension funds	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	30	40	50	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.

We are working closely with the Welsh Government and hope to be able to devise a model that focuses more on the outputs and outcomes from grant-supported activity, moving away from the traditional audit approach of checking invoices. This should provide the Welsh Government and audited bodies with a clearer understanding of the difference grant-supported activity is making, whilst also reducing the cost of grant certification work. We are piloting this approach during 2016-17 and will discuss fee implications with pilot authorities.

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 2017-18 £
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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