



Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2025

October 2023

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Estimate summary

Overview of Estimate 2024-25

- 1 With this Estimate we are requesting to increase our baseline call on Welsh Consolidated Fund (WCF) funding in 2024-25 by 5.9% (resource) with no increase in cash as compared to our initial Estimate for 2023-24.
- 2 The three main drivers of the baseline increase in our Estimate for next year are pay, an expansion of our apprentice and graduate trainee schemes and the April 2024 increase in employer pension contributions announced in September 2023.
- 3 A rise in pay is necessary because increases at Audit Wales over the last two years have lagged behind those elsewhere in the public sector in Wales and the cost of living.
- 4 We are also seeing, for the first time, a significant number of staff departures to the private sector accountancy firms, primarily in England. The effect of these factors combined means much increased staff turnover, ongoing industrial action, and lower staff morale. We expect the tight worldwide labour market for auditors to remain for some time. For the longer term, therefore, we wish to invest further in our successful trainee schemes to strengthen and widen the pipeline of financially qualified talent to help meet the needs of Audit Wales and the wider public service.
- 5 Other changes reflect the bi-annual costs associated with the National Fraud Initiative (NFI) and the end of the agreed 2-year reduction in our call on WCF related to the removal of our Travel Allowance payment to staff.
- 6 The draft fee scheme attached to this Estimate proposes average increases to our fee rates of around 6.4% in 2024-25 to meet inflationary pressures on our pay budgets.

Exhibit 1: changes in our call on the WCF 2024-25

	Change			
	2024-25 £'000	2023-24 £'000	Resource £'000	Cash £'000
Audit work	4,535	4,221	314	314
Wider Public sector benefit				
• Pan Wales financial training	870	630	240	240
• GPX	611	575	36	36
• NFI (annual costs)	150	147	3	3
Our running costs	2,853	2,923	(70)	(70)
Capital	310	310	-	-
Non-cash movements			-	(522)
Baseline WCF	9,329	8,806	523	1
NFI cyclical funding	130	0	130	130
2-year reduction re Travel Allowance	0	(354)	354	354
Total WCF	9,459	8,452	1,007	485

Our response to the Statement of Principles

- 7 On 12 July 2023 the Minister for Finance and Local Government wrote to the Chair of Finance Committee setting out the factors to inform future budget planning and the Government's best assessment of the level of funding available in future years.
- 8 The letter made it clear that there is little growth in cash terms in the Welsh Government's indicative plans for 2024-25 and that there remains significant uncertainty over available funding in the coming years.
- 9 We recognise this pressure on the public finances. Indeed, it is that pressure that makes the work of Audit Wales all the more essential. The need to obtain value for money from every pound of public spending, and for trusted, timely assessment of the state of financial management and governance in the Welsh public sector, has never been greater.
- 10 It is the responsibility of the Auditor General and the Wales Audit Office Board to make clear to the Senedd what is needed to provide that through a strong, sustainable, independent public audit office. Without such an office, the risk of failing to make best use of those scarce resources is greatly increased. And the cost to the public purse of the weaknesses that quickly arise as a result, far outweigh the cost of maintaining a properly resourced, high quality public audit regime.
- 11 The total cost of delivering the independent assurance and insight of Audit Wales represents a little over 1 penny for every £10 spent on devolved public services in Wales.
- 12 As referenced in the Minister's letter, CPI inflation is currently running higher than the UK Government's March forecast of 4.1%–6.8% at July 2023. According to the Office for National Statistics, average annual growth in regular pay for May to July 2023 was 7.8% overall and 6.6% for the public sector – as compared to 4% for Audit Wales staff.

- 13 Almost 85% of our costs are in respect of our staff. Our Estimates for 2022-23 and 2023-24 made provision for pay increases of 2.5% and 4% respectively. Through savings on other budgets, we were able to increase staff pay by 3% in 2022-23 but have only been able to offer the 4% provided in the Estimate for 2023-24. This is in comparison to increases in UK average earnings in those years of 5% and 7.8% respectively – a shortfall over the two years of over 6%.
- 14 Other public audit bodies have awarded higher pay rises to their staff. The National Audit Office increased staff pay by 3% and 6.5% and Audit Scotland have offered their staff 5.4% and 6% respectively in the last 2 years. Pay increases this year for staff in the civil service, local government, NHS and other parts of the public sector all exceed that at Audit Wales.
- 15 Given the Bank of England's assessment that inflation will remain above 5% for the rest of 2023-24 it seems unlikely that pressure on wages will end anytime soon. To start to bring our pay scales in line with others, and to stem the departure of staff to better paid parts of the public sector and to the private sector, we have made provision for an increase to our salary budget to compensate for the shortfall over the last two years (3%) and a further 5% for an estimated for a pay uplift in 2024-25. This impacts both our proposed fee rates and our call on WCF.
- 16 Just over £90,000 of the year-on-year increase in our staff costs is attributable to the recently announced changes in employer pension contributions from April 2024. The Treasury have confirmed that these additional costs will be met centrally.
- 17 We are responding to these cost pressures by identifying savings where possible. We set out our achievements to date and future plans later in this document.

Value for money at Audit Wales

The value of public audit

- 18 Audit provides transparency and accountability to taxpayers and their elected representatives. It provides public bodies with accurate, reliable financial information with which to plan and manage their services and finances effectively.
- 19 Audit provides the Senedd, public bodies and the public with independent assessment of the state of financial and corporate management in the public sector and early warning of problems arising. When the quality or timeliness of audit reduces, the risks of waste, fraud and mismanagement increases.
- 20 In June of this year, the House of Commons Public Accounts Committee reported on the state of public audit in local government in England, describing the system of local government audit as ‘close to breaking point’.
- 21 The backlog of uncompleted audits in local government in England is significant – the NAO suggest as many as 1,000 across 300+ local authorities, some dating back to 2015. This backlog coincides with a number of English councils issuing statutory notices (‘section 114 notices’) that prevent them incurring any new expenditure commitments other than to fund statutory services. Hackney Council was the first local council to issue a s.114 notice in 2000 – the first council to do so for 18 years.

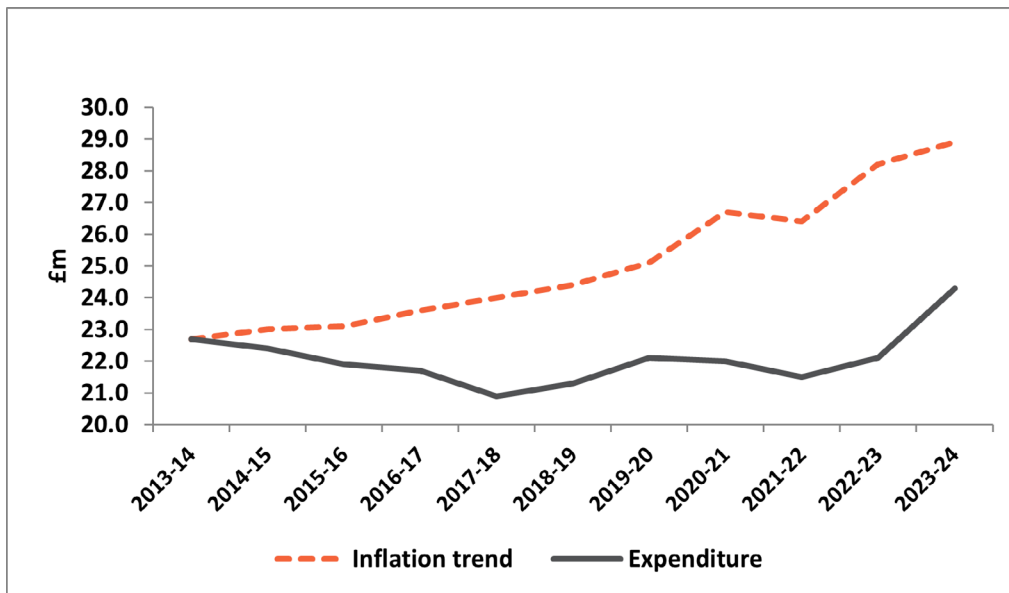
- 22 This combination of audit delay and severe financial strain is illustrated by some high-profile local government failures in England, including:
- in March 2023, the UK Department for Levelling Up, Housing & Communities pointed to Croydon's accounts for 2019-20, 2020-21 and 2021-22 remaining open and current financial pressures including £162 million of errors in historic accounts that require correction.
 - in June 2023, Woking council has declared that it can only provide the minimum legally required services after it identified debt of £2.6 billion (compared to an annual budget of £24 million). Its audited accounts for 2019-20 and later years are outstanding.
 - commissioners sent into Thurrock council have identified losses of £275m on risky investments made using borrowed money. Thurrock has not had any accounts signed off by auditors since 2019-20.
 - in 2023 the external auditor of Birmingham City Council identified concerns about the adequacy of provisions for equal pay claims in its 2020-21 and 2021-22 accounts and its ability to achieve savings or generate income to fund the claims. As a result, the Council has projected that it will have a projected deficit of £87m for the year 2023-24, which will grow for 2024-25.
- 23 In Wales we are in a much better position with a relatively low historical backlog on our principal audits. As at 30th September 2023 we have two 2021-22 unitary authority audits, one 2021-22 national park audit and one 2021-22 central government audit which are outstanding, all of which relate to audit issues at the particular bodies. For 2022-23 audits to date, all NHS audits were completed by the statutory deadline (with one missing the earlier 31 July Welsh Government administrative deadline).
- 24 But we cannot be complacent – we are behind where we should be. Our recruitment and retention challenge, and the backlog of work still from the Covid years, means we will not deliver all local government audits on time this year. That has a knock-on for next year, meaning it gets ever harder to catch up.
- 25 The Auditor General is determined to ensure that the Senedd understands the cost of providing high-quality public audit and the implications of not doing so. If we cannot deliver our work, the Senedd, elected local politicians and the public will not have reliable information on financial management and governance. That will very quickly lead to weaknesses and failures whose costs hugely outweigh the cost of maintaining a properly resourced, high quality public audit regime.

- 26 The importance of at least maintaining the strength of our existing arrangements and timely delivery in Wales can be seen from some recent illustrative examples:
- in Betsi Cadwaladr University Health Board, had Audit Wales not delivered its audit of accounts and governance reports, the mismanagement of many millions of pounds of public money would have gone undetected;
 - the further audit work subsequently commissioned from a private sector firm to examine the issues identified by Audit Wales in more detail, cost over 3/4 of a million pounds;
 - the Auditor General qualified his audit opinion on the 2022-23 accounts of all seven Health Boards in the Welsh NHS. This alerted the Senedd to the failure of most Boards to meet the statutory duty legislated for by the Senedd, to achieve financial break even over a three-year period;
 - our audit of the National Museum/Amgueddfa Cymru has highlighted issues resulting in significant cost to the public purse. By identifying and publicly reporting on such matters we can hope to avoid similar expense in the future.
- 27 We have highlighted in previous Estimate reports the increasing audit fees being charged by the private sector as a result of regulatory pressure and ongoing professional change.
- 28 One of the potential causes of the local government audit delays in England described above was the low level of audit fees for those audits, as reported by the [Redmond Review](#).
- 29 Public Sector Audit Appointments (PSAA), the body that appoints auditors to Local Government bodies in England is currently consulting on a proposal to increase audit fees by 151% for those bodies for 2023-24 audits.
- 30 The Local Government Association, amongst other bodies, accepts the proposals and has called on the Government to provide funding to cover the estimated cost increase of £50 million.
- 31 Whilst the increase is multi-faceted – reflecting both historically low fee levels and increased audit demand – it does highlight the cost pressures evident across the wider audit profession.

Our performance to date

- 32 We are acutely aware of the importance of demonstrating that we bear down on our own costs and provide value for money.
- 33 At Audit Wales, we continually strive to provide world class public audit for the Welsh public sector in the most cost-effective way.
- 34 In the last ten years we have reduced the cost of public audit in Wales by 16% in real terms¹ despite an increase in the scope of our work, increased requirements for audit quality and new auditing standards. This reduction is represented in **Exhibit 2**. The cumulative savings generated across those years amounts to almost £33 million.

Exhibit 2: the cost of public audit 2013-14 to 2023-24



1 Based on GDP deflators published by ONS, June 2023.

35 We have made these savings by:

- significantly changing the shape of our workforce. We have reduced the proportion of directors and managers in our workforce and have invested in a graduate and apprentice training programme – providing opportunities for school leavers and graduates in Wales and improving social mobility as well as providing future financial managers for the Welsh public sector.
- in-sourcing our audit work. Since 2021-22 we no longer use private sector firms to carry out our audit work. In this regard we are unique amongst the UK public audit bodies. Though adding to the delivery pressures on Audit Wales staff, this has protected the public purse from significant price increases for this work being experienced by other UK audit agencies.
- reducing the cost of travel from £1.2million in 2019-20 to £300,000 in this Estimate. We negotiated with our trade unions to remove a travel allowance previously paid to our audit staff and we have changed the way that we work to reduce our overall travel – providing environmental as well as cost efficiencies.
- we have moved to smaller, cheaper offices in both North and South Wales saving around £250,000 each year despite increased utility costs.
- we are using technology and data analytics to carry out our audit work as efficiently as possible and minimise our travel across Wales.

Our future plans

- 36 Our Financial Sustainability Review (FSR) continues to identify areas where further savings can be made. In 2023-24, the FSR has met the challenge to identify £500,000 of in year savings, of which £238,000 are recurring year on year. It did this by:
- moving to smaller/cheaper offices in North Wales.
 - challenging our non-pay budgets and reducing where possible.
 - taking advantage of staff vacancies and reviewing our support services to reduce posts.
- 37 For 2024-25, we once again have a challenging savings target of £400,000 (over and above those savings identified in 2023-24) which we will seek to meet by:
- reviewing our business processes to ensure that these are as efficient as possible and make use of existing and emerging technologies.
 - further challenging our non-pay budgets and reducing or removing those that do not provide good value for money.
 - obtaining best value from procurement.
 - continuing to challenge our operating model including the chargeability of our audit staff and how and where we deliver our audit work.

Our budget 2024-25

Budget 2024-25

- 38 Around two thirds of the running costs of Audit Wales are met from fees that we charge audited bodies for our work. The remaining third, along with all capital expenditure, is met directly from WCF – more detail on which is provided in the next chapter.
- 39 This Estimate describes our total budget for 2024-25 including that part which is funded by fees. A draft Fee Scheme for 2024-25 which explains how fees will be charged to audited bodies is appended to this document.
- 40 A detailed revenue budget in both cash and resource terms is attached as Appendix 1.

Staff costs, recruitment and retention

- 41 Almost 85% of our budget funds salaries and associated on-costs for around 300 employees who are employed to deliver our audit work across Wales – either directly or in support of this audit delivery.
- 42 Last year, our Estimate flagged the pressure in the employment market for qualified audit staff. That pressure has intensified.
- 43 There is a worldwide shortage of qualified audit and finance professionals. At the end of 2022, for example, the New Zealand government added ‘auditor’ to the immigration ‘Green List’, providing a straight to residence visa for suitably qualified people.
- 44 Closer to home, all audit organisations – in the public and private sectors - are struggling to recruit enough qualified staff. We are seeing a higher turnover rate than ever before – over 15% in 2022-23 – with accounts qualified staff leaving to other parts of the public sector where pay is higher eg the NHS and local government, and to the private sector, primarily in England. Higher remuneration in the private sector is now starting to outweigh the traditional attractions of the public sector, such as pension benefits, work-life balance, and public service motivation.

- 45 To at least slow this flow, we have to offer a meaningful increase in pay – to catch up with the increases seen in other parts of the public sector and to increase our competitiveness with the private sector. Given the below inflation pay increases awarded in 2022-23 and 2023-24 we feel we have no option than to allow for a more significant pay increase in 2024-25 to allow our staff to ‘catch up’ with the rest of the public sector.
- 46 Our staffing budget includes a provision for expected savings of 5% due to in-year natural staff turnover. Whilst we have met or exceeded this target in recent years, there is a risk both in terms of staff morale, as evidenced by staff survey results, and reduced fee income if we don’t have the staff available to deliver the income as planned.
- 47 Two years ago, we agreed, as part of a negotiated settlement, that a £3,350 annual Travel Allowance paid to staff be removed with effect from April 2024. In line with that settlement, all salary points will be uplifted by £900 from that date², separately from any agreed pay award.
- 48 While we can influence our ability to recruit and retain through our employment offer overall, we believe we are likely to see a challenging employment market for some time yet. Our experience over the last few years tells us that recruiting qualified staff externally is not the answer.
- 49 Qualified roles that have been advertised externally have attracted very few external applicants, despite targeted advertising on professional recruitment boards and extensive social media coverage. This is not particular to Audit Wales as other public sector, civil services bodies and private firms are also struggling, with firms recruiting aggressively.
- 50 We believe a better, possibly the only, way to ensure the long-term sustainability of Audit Wales is to develop and train more of our own staff.
- 51 We already have a very effective programme of apprentice and graduate trainee development. Currently, we have around 60 staff in the organisation (a fifth of our total staff) who are on either our apprentice or graduate trainee schemes. Each year between 10-15 of this group complete their final examinations and qualify as chartered accountants.

2 Other than trainees and apprentices whose salaries were adjusted in 2022-23 to reflect the impact that the loss of the allowance had on benchmarked salaries.

- 52 Given the state of the market, we believe the best way to ensure the long-term health of Audit Wales is to strengthen these programmes further – to increase the number of staff we take on, strengthen the field of candidates through our outreach work and marketing, broaden the training experience by exposing trainees to all aspects of Audit Wales work, and make some practical changes to the design of the programme to reduce the loss of newly qualified staff shortly after qualification.
- 53 Our Estimate requests an additional £220,000 into our baseline budget to enable us to do this. The benefit of this expansion will not be seen for some years (our apprentice scheme runs for two years, our graduate scheme for four). The staff from next year’s intake will not qualify, therefore, until after the current Auditor General completes his term of office. But expansion will give his successor, and the next Senedd, a stronger, more resilient and sustainable workforce model.
- 54 We are not the only organisation struggling to recruit and retain qualified finance professionals. We see the same challenge in finance departments in our audited bodies. Our trainee schemes deliver a wider public sector benefit, therefore, as we know that some of our successful trainees leave Audit Wales after qualification to pursue careers in other parts of the Welsh public sector.

Employer pension contributions

- 55 A valuation of the Civil Service Pension Scheme is undertaken every four years and provides the information required to set employer contribution rates. The 2020 valuation report has now been published and, at the end of September 2023, employers were notified of the new contribution rates that will be paid from April 2024.
- 56 Following the transition of all active members to alpha on 1st April 2022 it has been agreed that the previous salary-based structure is no longer appropriate. A flat rate employer contribution will therefore be introduced.
- 57 In preparation for the valuation, HM Treasury announced that the discount rate used for determining the cost of future pension payments (known as “SCAPE”) would be reduced from 2.4% to 1.7%. As a result, the cost of providing benefits has increased and the average employer contribution rate will increase to 28.97%.

- 58 On 30th March 2023 the Chief Secretary to the Treasury issued a Written Ministerial Statement to confirm the new SCAPE rate and a commitment to providing funding for increases in employer contribution rates for employers whose employment costs are centrally funded through departmental expenditure. Funding for devolved administrations will be provided via the Barnett Formula.
- 59 For the Wales Audit Office, we have estimated that this change will increase our pay bill by just over £90,000 – with £20,000 being met from WCF and the balance being met from increased fees to audited bodies.

Accommodation

- 60 Audit Wales leases three offices in Cardiff, Penllergaer and Llandudno Junction. As set out in our Second Supplementary Estimate for 2022-23 and our Supplementary Estimate for 2023-24 we made the decision to relocate both our Cardiff and North Wales offices to smaller premises delivering savings of around £250,000 (25%) per year – reducing our budget for accommodation in 2024-25 to just over £730,000.
- 61 We plan to further review our workplace requirements in West Wales during 2024-25. If a decision is made to either replace or renew current lease arrangements, we may need to seek a Supplementary Estimate during the year – for IFRS 16 implications only.
- 62 For 2024-25 we are also reducing our call on cash from the WCF by around £100,000 to reflect a rent-free period within our Cardiff office lease. In line with IFRS16 requirements, the unwinding of the total cost of the ten-year lease is reflected in our resource budget.

Travel and Subsistence

- 63 In 2019-20 Audit Wales spent £1.2m on travel and subsistence including £638,000 on a fixed annual Travel Allowance for our mobile staff.
- 64 Following a value for money review by our external auditors, we made the difficult decision to remove the fixed allowance from staff. Transitional arrangements, including the offer of an upfront payment or retaining entitlement to travel allowance until March 2024 were agreed in negotiation with our Trade Union partners.
- 65 The upfront payment was partly funded from a Supplementary Estimate in 2021-22 with the agreement that this be reflected in a reduced call on WCF of £354,000 per year over the following 2 years. These transitional arrangements come to an end on 31st March 2024 as reflected in this Estimate.

- 66 Since the Covid pandemic, we have seen a significant reduction in travel as our staff move to new hybrid working arrangements. Audit staff are largely working from our own offices or from home rather than at audited bodies, reducing both our costs and the environmental impact of travel.
- 67 As a result of these changes, we expect our total spend on travel and subsistence in 2024-25 to reduce to just over £300,000 – a reduction of almost 70% as compared to pre-Covid years.

Audit Fees

- 68 For 2024-25 we plan for around 66% of our expenditure to be met from the fees that we charge to audited bodies. We are required by legislation to charge 'no more than the full cost' of the audit work at each audited body. We calculate this full cost based both on our budget for the year and the contribution from WCF towards our running costs.
- 69 Our work on EU Agricultural funds will largely end in 2024-25 and we plan to use the additional capacity that this will release to start to address the backlog of audit work that has built up since the pandemic.
- 70 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.
- 71 The income we receive from fees is governed by a Fee Scheme, which legislation requires us to publish at least on an annual basis.
- 72 Included within this Estimate document is our draft Fee Scheme for 2024-25 (Appendix 2). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2024-25 before the Senedd and then confirm estimated fees for next year to our audited bodies.
- 73 In September and October 2023, we consulted all audited bodies and representative groups on our proposed fee scales for 2024-25 which made allowance for an estimated increase in our fee rates of 6.4%.

- 74 We received 18 responses which told us that:
- audited bodies continue to welcome the provision of the NFI at no cost;
 - whilst acknowledging the inflationary pressures faced by Audit Wales bodies pointed out that they are facing similar pressures with no associated increase in funding;
 - they also commented that this increase is in addition to the more significant increase they faced this year in response to the new auditing standard ISA315;
 - whilst some bodies felt that the increase was reasonable some did question how fees were set at a local level and whether there would be any reduction in fees following the implementation of the new standard; and
 - the Town and Community Councils that responded felt that the increase was reasonable in light of inflationary pressures and the costs of other professional services.
- 75 The Board has reflected on these responses and has responded by maintaining the proposed increase at an average of 6.4% despite a new requirement to fund increased costs of the Civil Service Pension Scheme.
- 76 We continue to work closely with audited bodies to mitigate the impact of the increases on their audit fee.

Capital investment

- 77 Our capital investment priorities for 2023-24 to 2027-28 are set out in **Exhibit 3**.
- 78 Capital investment is targeted at projects that will deliver future efficiencies and savings; ensuring that our ICT provision makes the best use of available technology and that we take advantage of available digital solutions in the delivery of our work.
- 79 Our previous Estimates assumed that our requirement for capital investment would start to increase from 2024-25 as we worked towards meeting our digital ambitions. Over the last few years the trend for ICT investment has moved away from up front expenditure to annualised licence or service arrangements and hence we no longer foresee such significant capital investment being required.

Exhibit 3: capital investment

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000
Change Programme	200	200	200	200	200
ICT Strategy	110	110	110	110	110
Total	310	310	310	310	310

Our Change Programme

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

Future workplaces

81 This has been our most significant change project to date. In 2022-23 we concluded the relocation of our Cardiff office to new, smaller premises. During 2023-24 have relocated our North Wales office from Abergele to the Welsh Government office at Llandudno Junction. To date we have delivered annual savings of over £200,000 from these moves.

82 During 2024-25 we will be reviewing our accommodation needs at our offices in Penllergaer and our change programme includes funding that will allow us to ensure that this accommodation continues to meet our emerging workplace requirements.

Our Digital Strategy

83 We continue to invest in digital tools to ensure that we can deliver our work as efficiently and effectively as possible. Planned investment for 2024-25 includes:

- completing the development of new audit platform software for both our Financial and Performance audit work;
- the on-going development of our external website to better meet our stakeholder requirements; and
- improvements to management information systems.

84 As set out above, we have reduced the funding previously anticipated for this work in light of the industry move towards revenue rather than capital funding. It is however likely that some up front investment will be required for the projects set out above.

Our ICT Strategy

85 We have established a rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains fit for purpose and reliable.

Movements in working capital

- 86 An adjustment is made to our resource Estimate to allow for movements in working capital at year end. These movements cannot be accurately estimated but will include:
- increases or reductions in the value of year-end debtors;
 - increases or reductions in year-end creditors; and
 - increases or reductions in year-end provisions.
- 87 For most years, the Wales Audit Office allows a notional £200,000 additional cash draw down to allow for these movements with any unused cash being returned to WCF after the end of the financial year.
- 88 For 2023-24 this request was increased as we were aware that we would be releasing a significant provision during 2023-24 for the dilapidation settlement on our Cathedral Road offices.
- 89 For 2024-25 we have reduced this back to £200,000 to allow a normal contingency for year-end movements.

Our call on WCF 2024-25

How we use WCF

- 90 Around 34% of our total budget is funded from the Welsh Consolidated Fund (WCF) with the balance being funded from the fees that we charge to audited bodies (our accruing resources).
- 91 We use the funding provided directly from WCF for the following main purposes:
- funding for wider public sector benefit:
 - our Pan Wales financial training programme.
 - our Good Practice Exchange; and
 - free access to the National Fraud Initiative for all participating bodies.
 - funding audit work that is not funded by fee income – this includes our National value examinations and studies and our Local Government studies programme.
 - contributing to the running costs of Audit Wales.
- 92 In addition, all capital investment is funded directly from WCF.

Funding for wider public sector benefit

Pan-Wales financial skills development

- 93 Funding from WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 94 We currently employ around 60 trainees and apprentices, providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 95 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees in other Welsh public sector bodies;
 - target our recruitment to improve social diversity and inclusion within our workforce and the wider finance profession in Wales;
 - fund an annual conference for public sector trainees across Wales, which promotes the value and importance of a career in public finance; and
 - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 96 In 2023-24 we increased the amount of funding for this programme by £50,000 to reflect expected increased costs of training for our graduate trainees. In the event, the increase was less than expected and we are therefore reducing this element of our call on WCF by £30,000 in 2024-25 to reflect this saving. An additional £50,000 has been included to fund pay increases for staff supported by this scheme.
- 97 As set out previously, we are also requesting an additional £220,000 through this estimate to expand this scheme further. This additional funding will allow us to increase the number of graduates and apprentices that we recruit each year, providing a talent pipeline internally and for the wider public sector, as well as funding more outreach work to support increased social mobility.

Good Practice Exchange

- 98 We use funding provided by WCF to run our highly regarded Good Practice programme free of charge to public bodies and the third sector across Wales.
- 99 Following the pandemic, in October 2022 we reinstated our in-person events focusing on the theme of Poverty in Wales. During 2023, we have focused on;
- how local authorities are working to grow and expand social enterprises to help local government deliver more services and reduce demand.
 - how local authorities are creating the conditions needed to transform ways of working and empower communities to thrive as independently as possible.
 - inspiring the public and third sector to embrace the cultural diversity of modern Wales and the benefits of working beyond compliance and into excellence.
- 100 Later this year we will look at areas such as:
- how public services translate the strategic aims of digital strategies into practical action that makes a difference to everyday lives.
 - working in partnership to improve wellbeing.
 - sharing examples of innovative approaches to managing unscheduled care in Wales
 - how public services can promote a culture of integrity.
 - sharing examples of innovative approaches to active travel across Wales and beyond.
- 101 Full details of our upcoming events are detailed on our website.
- 102 For 2024-25 we are increasing the funding for this audit work in line with the proposed increase in fee rates.

National Fraud Initiative

- 103 Since 2015, the Finance Committee has supported the principle of participation in NFI for all public bodies in Wales at no cost to those bodies. Our last biennial report identified potential savings and over-payments of £6.5 million across Wales's public services, increasing cumulative savings to £49.4 million since 1996.
- 104 Without this funding, the costs of carrying out this work would instead need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.
- 105 Funding for our NFI work is subject to alternate year increases / reductions to meet bi-annual Cabinet Office costs for data checking. 2024-25 will see an increase of £130,000 as compared to 2023-24.
- 106 A full breakdown of the funding allocated for NFI is set out in **Exhibit 4**.

Exhibit 4 – National Fraud Initiative cost breakdown

	2024-25 £'000	2023-24 £'000	Change £'000
NFI Application Checker (App Check)	50	50	-
Additional data matching	45	45	-
Cost of audit work (based on fee rates and staff time)	55	52	3
Payments to Cabinet Office (alternate years)	130	-	130
Total	280	147	133

Audit work not funded through fees

National Value Examinations and Studies and Local Government Studies

- 107 The Auditor General's programme of national value for money examinations and studies provides support to the scrutiny work of the Senedd. These studies are reported to the Senedd's Public Accounts and Public Administration Committee (PAPAC) and described in our [Annual Plan for 2023-24](#).
- 108 This funding is also used to help discharge the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 for the relevant central government bodies.
- 109 The PAPAC is one of the key mechanisms for the Senedd to hold to account publicly funded organisations. We therefore aim to ensure that the Committee is well supported by us in its work. Increasingly, we also support the work of other Senedd Committees.
- 110 We also use WCF funding to:
- undertake pieces of work to explore themes arising from our accounts work; and
 - support our response to issues brought to our attention by members of the public and their elected representatives.
- 111 For 2024-25 we propose increasing the funding for this audit work in line with the proposed increase in fee rates.
- 112 In addition, for 2024-25 we have identified a further £41,000 of costs associated with the proposed extension of the Well-being of Future Generations Act to additional bodies for which the Auditor General will have a duty to report³. We anticipate this baseline annual cost would then be recurring each year through the 2025-2030 reporting cycle, uplifted as appropriate in line with our wider Estimate.

3 In July 2022, Welsh Government announced a consultation on the proposed extension of the Act to eight additional bodies. These now include two bodies for which the AGW is not the external auditor (Transport for Wales and the Centre for Digital Public Services) and three (Qualifications Wales, Social Care Wales, and the Welsh Revenue Authority) where, because there is no provision in legislation for proper arrangements conclusion work, we do not have local performance audit arrangements within which to consider embedding work under the Act. The other three are NHS bodies, Health Education and Improvement Wales, Digital Health and Care Wales, and the Welsh Ambulance Services NHS Trust.

- 113 The costs identified for 2024-25 reflect our assumption that the new bodies would be subject to the well-being duty from 1 April 2024 and expected to set their well-being objectives within 12 months (by March 2025).
- 114 Remaining work to discharge examination duties at the additional bodies would be spread across the remainder of the reporting cycle and programmed alongside other work required under the Act.
- 115 The regulations to support the extension of the Act, and therefore the timing for commencement of its requirements, are still to be finalised by the Welsh Government.
- 116 Barring transition costs, the figures do not account for work we will have to deliver at the three additional NHS bodies that the Welsh Government is proposing to bring under the Act. Examination work at those bodies would be supported under their existing funding arrangements for local performance audit work. This will entail reshaping or replacing other work. Though the Auditor General is comfortable with this approach on this occasion, it cannot always be so. Each time new duties are absorbed by displacing other work, it constrains the independence and flexibility of the Auditor General's work programme and ability to follow-up on key risks.
- 117 In our response to the Welsh Government's 2022 consultation, we noted that we would welcome further discussion about the Auditor General's responsibilities under the Act as part of post-legislative evaluation. This might enable us to optimise the proportionality, economy, and impact of our approach, especially in the context of a larger number of bodies being subject to the well-being duty. And we note the possible creation of other new bodies to which the Act might apply in future, such as a proposed supervisory body for coal tip safety.

Local Performance Audit work

- 118 As set out in our Estimate for 2023-24 we had planned to switch around one third of the funding (£1.26m) for some of our performance audit work in Local Government and Health from fee to WCF funding.
- 119 In the event, the Welsh Government was unable to confirm, prior to submission of our Estimate for 2023-24, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. As a result, the Senedd Finance Committee asked that we defer this proposal until our 2024-25 Estimate.
- 120 We took on board the views of audited bodies, expressed in last year's consultation exercise, who value the insight from our local audit work whilst understanding the benefits of the proposals for more thematic studies. The proposed switch set out in our consultation exercise was therefore less than previously anticipated at around £850,000.
- 121 Unfortunately, Welsh Government was still unable to confirm its support for this proposal due to other pressures and we have therefore decided not to pursue the proposed switch.

Contribution to running costs

- 122 We use funding from WCF to fund costs of the Wales Audit Office which cannot reasonably be charged to audited bodies through fees. For 2024-25 we are reducing this contribution by £70,000 as set out in **Exhibit 1** on page 4.
- 123 An increase of £30,000 associated with the proposed pay increase has been more than offset by a reduction of £100,000 in the contribution for travel cost equalisation associated with the overall reduction in our travel costs.

Our Medium-Term Financial Plan

- 124 Our medium term financial plan assumes that over the next 3 years, our audit resource will be maintained at 2024-25 levels whilst we seek to address the audit backlog that has arisen since the pandemic.
- 125 If the backlog can be addressed – and this does depend on us being able to recruit the resource required to achieve this - then from 2027-28 we would expect to see reductions in both staff costs and fee income to reflect our 'steady state'.
- 126 Given current uncertainties, no provision has been included for future pay and price increases.

Exhibit 7: Medium Term Financial Plan 2024-25 to 2028-29

	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000
Staff costs	22,312	22,537	22,537	21,372	21,372
Accommodation	731	731	731	731	731
T&S	303	303	303	303	303
NFI cyclical costs	130	0	130	0	130
Other costs	3,149	3,149	3,149	3,149	3,149
Total expenditure	26,625	26,720	26,850	25,555	25,685
Audit Fee Income	17,476	17,701	17,701	16,536	16,536
Total call on WCF (Revenue)	9,149	9,019	9,149	9,019	9,149
Total call on WCF (Capital)	310	310	310	310	310

Appendices

- 1 Revenue budget 2024-25
- 2 Draft Fee Scheme 2024-25

1 Revenue budget 2024-25

	Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Resource Estimate 2023-24 £'000	Cash 2023-24 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Staff costs	23,444	23,444	21,041	21,041	2,403	2,403
Vacancy management	(1,132)	(1,132)	(987)	(987)	(145)	(145)
Travel and subsistence	303	303	435	435	(132)	(132)
Accommodation	731	595	754	754	(23)	(159)
Irrecoverable VAT	500	500	500	500	-	-
ICT	664	664	699	699	(35)	(35)
Audit Wales governance	320	320	320	320	-	-
External training	326	326	341	341	(15)	(15)
NFI annual costs	95	95	95	95	-	-
Depreciation & interest	396	-	360	-	36	-
Other supplies and services	1,248	1,248	1,217	1,217	31	31
Savings target	(400)	(400)	(500)	(500)	100	100
Cyclical NFI costs	130	130	-	-	130	130
Expenses total	26,625	26,093	24,275	23,915	2,350	2,178

		Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Resource Estimate 2023-24 £'000	Cash 2023-24 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Fee Income	Audit Fees	(16,494)	(16,494)	(14,605)	(14,605)	(1,889)	(1,889)
	EU Agricultural Funds	-	-	(600)	(600)	600	600
	Grant certification fees	(982)	(982)	(928)	(928)	(54)	(54)
	INCOME TOTAL	(17,476)	(17,476)	(16,133)	(16,133)	(1,343)	(1,343)
Capital	310	310	310	310	-	-	
Movements in working capital⁴		200	-	550	-	(350)	
Total to be funded from WCF	9,459	9,127	8,452	8,642	1,007	485	

4 For 2023-24 this included the expected dilapidation settlement for Cathedral Road

2 Draft Fee Scheme 2024-25

Fee Scheme 2024-25

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Introduction

Fee rates and fee scales

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.

Fee rates 2024-25

- 2 As set out in our consultation on proposed fees in September 2023, we need to recognise cost of living pressures on our staff and have made provision for pay increases in line with the rest of the public sector. We have also had to make provision for recently announced increases in employer contributions for the Civil Service Pension Scheme.
- 3 Where possible we have mitigated inflationary pressures by identifying savings on non-pay budgets such as accommodation and travel with savings of over £2m over the next 5 years being identified.
- 4 We continue to make significant investment in audit quality to respond to recent UK-wide reviews⁵ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 5 Taking these factors together means that we need to increase our fee rates by an average of 6.4% in 2024-25.
- 6 Our proposed fee rates for 2024-25 are set out in **Exhibit 1**.

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

Exhibit 1: proposed fee rates 2023-24

Grade	Rate (£ per hour) 2024-25	Rate (£ per hour) 2023-24
Audit Director	179	168
Audit Manager	137	129
Audit Lead	112	106
Senior Auditor	91	85
Auditor	64	61
Graduate trainee	59	55
Apprentice	46	40

- 7 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.
- 8 This Fee Scheme sets out:
- the enactments under which we charge 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.
- 9 Broadly, 66% of our expenditure is funded through fees charged to audited bodies. The remaining 34% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.
- 10 Legislation requires that the fees we charge a body **may not exceed** the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.

- 11 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 12 We went beyond the statutory fee consultation requirements and, in September 2023, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2024-25.
- 13 We received 18 responses which told us that:
 - Audited bodies continue to welcome the provision of the NFI at no cost
 - Whilst acknowledging the inflationary pressures faced by Audit Wales bodies pointed out that they are facing similar pressures with no associated increase in funding.
 - They also commented that this increase is in addition to the more significant increase they faced this year in response to the new auditing standard ISA315.
 - Whilst some bodies felt that the increase was reasonable some did question how fees were set at a local level and whether there would be any reduction in fees following the implementation of the new standard.
 - 5 Town and Community Councils felt that the increase was reasonable in light of inflationary pressures and the costs of other professional services.
- 14 The Board has reflected on these responses and has responded by maintaining the proposed increase at an average of 6.4% despite a new requirement to fund increased costs of the Civil Service Pension Scheme. We have done this by increasing our savings target from that assumed when the consultation was prepared.
- 15 We will work closely with audited bodies in an attempt to mitigate the impact of these increases on their audit fee.

Local Government Fee scales 2024-25

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2023-24 financial accounts, together with fee funded performance audit work to be undertaken in 2024-25, are provided in **Appendix C** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.
- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.

- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

ISA315 implementation

- 26 As set out in our Fee Scheme for 2023-24 our audits for accounts ended 31 March 2023 and subsequent years will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard has had significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit.
- 27 We increased our audit fees by an average of 10%, over and above our fee rates increases to accommodate the richer skills mix associated with these new demands.
- 28 We are still evaluating the impact of this new approach on 2022-23 audit work. This evaluation will not be complete until spring 2024. We will take this into account when setting fees for individual bodies but for the purposes of our fee scales, no change has been allowed for in 2024-25.

Local performance audit work

- 29 Our consultation exercise discussed the potential to switch an element of funding for local performance work at 22 principal councils and seven health boards to facilitate the delivery of more thematic and cross sectoral reviews.
- 30 Our consultation exercise told us that audited bodies had no strong views on this proposal but that they did value on our local performance audit work.
- 31 The Welsh Government was however unable to support this proposal in time for our Estimate for 2024-25 and hence we have decided not to pursue the proposal further.
- 32 The fee scales for our local performance work at unitary authorities in this fee scheme now exclude this change.

Charging of fees

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



Appendices

- A Public Audit (Wales) Act 2013 – full text of section 24**
- B List of enactments under which the Wales Audit Office may and must charge fees**
- C Fee Scales 2024-25**

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

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case, and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The 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^[6].

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

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

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

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
AAAn 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
	Section 145D(2) of the Government of Wales Act 1998
Advice and assistance provided by the Auditor General for registered social landlords.	Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013

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

C Fee Scales 2024-25

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

- 37 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 38 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.
- 39 Our last [biennial report](#) identified potential savings and over-payments of £6.5 million across Wales's public services, increasing cumulative savings to £49.4 million since 1996.
- 40 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2024-25
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Fee scales for Local Government bodies

Unitary authorities

Exhibit 3: fee scale for the audit of 2023-24 accounts

Gross Expenditure £m	Fee range			Previous Year	
	Minimum £'000	Median £'000	Maximum £'000	Median £'000	
100	145	171	196	159	
200	175	205	236	191	
300	195	229	263	213	
400	210	247	284	230	
500	223	262	302	244	
600	234	275	317	257	
700	244	287	330	267	
800	253	297	342	277	
900	261	307	353	286	
1,000	268	315	363	294	
1,100	275	324	372	302	
1,200	281	331	381	309	

Exhibit 4: fee scale for 2024-25 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	113	120	136	112

Local Government Pension Funds**Exhibit 5: fee scale for audit of 2023-24 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	45	56	60	48

Fire and Rescue Authorities**Exhibit 6: fee scale for audit of 2023-24 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	43	50	58	47
40	51	60	69	56
60	57	67	77	63
80	62	72	83	68
100	65	77	88	72

Exhibit 7: fee scale for 2024-25 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	17

National Park Authorities**Exhibit 8: fee scale for audit of 2023-24 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	31	36	29
4	32	37	43	35
6	35	42	48	39
8	38	45	52	42
10	41	48	55	44

Exhibit 9: fee scale for 2024-25 performance audit work

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

Police and Crime Commissioners

- 41 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: fee scale for audit of 2023-24 accounts

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	73	84	96	78
100	86	100	114	93
150	95	110	126	102
200	102	118	135	110
250	108	125	143	116
300	113	131	149	122
350	117	136	155	126

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

- 42 Town and community councils in Wales are subject to a limited assurance audit regime.
- 43 In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 44 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 36**.
- 45 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.
- 46 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 range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2023-24 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£160 - £195	£181- £213	£245 - £300	£379 - £463	£676 - £809	£899 - £1,160
Limited procedures	£117 - £138	£145 - £172	£145 - £172	£223 - £266	£223 - £266	£223 - £266

Fee rates for other work in local government

- 47 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 48 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 49 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.

Grade of staff	Complex grants staff mix	All other grants staff mix
	%	%
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

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



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We welcome correspondence and
telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.