

**Supporting information for the
Estimate of Income and Expenses
for Audit Wales for the year
ended 31 March 2024**

October 2022

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Estimate summary

Overview of Estimate 2023-24

- 1 With this Estimate we are requesting to increase our baseline call on Welsh Consolidated Fund (WCF) funding in 2023-24 by just under 3% cash and 3.8% resource including IFRS16 adjustments .
- 2 Our overall change in funding requirements – both for WCF and fee income for 2023-24 is set out in **Exhibit 1**.
- 3 All capital investment is funded from the WCF through this Estimate. The major capital investment planned for 2023-24 associated with the move from our Cardiff office has been brought forward to 2022-23 via a Supplementary Estimate.

Exhibit 1: changes in our funding requirements 2022-23 to 2023-24

	WCF (Revenue) £'000	WCF (Capital) £'000	WCF (Total) £'000	Fees £'000	Total £'000
Baseline 2022-23	8,298	310	8,608	15,082	23,690
Increased staff costs	272	-	272	430	702
ISA315 staffing	-	-	-	800	800
Savings on travel	(68)	-	(68)	(135)	(203)
Savings on accommodation	(74)	-	(74)	(148)	(222)
Cyber security and ICT	60	-	60	6	66
External training	50	-	50	13	63
Other supplies and services	43	-	43	85	128
NFI one year funding	(35)	-	(35)	-	(35)
IFRS16	80	-	80	-	80
Baseline 2023-24	8,626	310	8,936	16,133	25,069
2-year TA reduction	(354)	-	(354)	-	(354)
NFI cyclical reduction	(130)	-	(130)	-	(130)
Total 2023-24	8,142	310	8,452	16,133	24,585

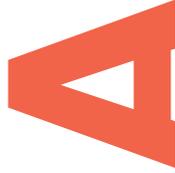
Our response to the Statement of Principles

- 4 On 14 July 2022 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.
- 5 The letter made it clear that there is little growth in cash terms in the Welsh Government's indicative plans for 2023-24 and 2024-25 and that there remains significant uncertainty over available funding in the coming years.
- 6 Like all public bodies we are facing inflationary pressures that have not been seen for many years. The letter references CPI inflation of 11% later in 2022-23 and average pay increases this year of 5.1%. The position remains volatile with more recent forecasts suggesting CPI increases of up to 14% by the end of the year.
- 7 Over 80% of our costs are in respect of our staff who are, themselves, subject to the cost-of-living crisis facing the UK economy. In 2022-23 we agreed a 3% pay award for our staff. Though significantly lower than inflation, this was more than had been allowed for in the Estimate for 2022-23 and had to be funded by making savings on other budget areas.
- 8 For 2023-24, given that inflation is currently forecast to be significant, and the level of pay increases being seen more widely, we have made provision for a further but modest pay uplift. Audit Wales competes directly with the private sector to attract and retain the professional staff that we require. We are increasingly unable to match the remuneration offered by private sector audit firms, making the loss of talent and expertise the number one risk to the organisation.
- 9 In addition, for our 2022-23 audit of accounts work, we are having to respond to a new auditing standard, ISA315¹ – a foundational standard which shapes our overall audit approach – which will require us to resource audits with more experienced and professionally qualified staff – leading to an expected increase in our fee scales of between 12% and 18%. Whilst this has no impact on the funding required from WCF, it does impact our staffing costs, fee income and the draft Fee Scheme which is included as part of this Estimate.

1 [ISA \(UK\) 315](#) Identifying and Assessing the Risks of Material Misstatements

- 10 We are responding to these cost pressures by identifying savings where possible on our non-pay budgets. In 2021, we agreed with staff that we would remove their entitlement to a fixed travel allowance as this no longer represented value for money for Audit Wales. 2023-24 is the second of two transitional years related to this agreement. Savings of £200,000 per year are forecast once transitional arrangements end in 2024.
- 11 In March 2023 we will be relocating our Cardiff office from Cathedral Road to a new office in the Capital Quarter Enterprise Zone. This significantly smaller office will deliver savings of over £220,000 per year.
- 12 Travel costs and our estate were the two non-staff budgets where savings of serious magnitude could be made. With some 84% of our costs being staff-related, it will be increasingly difficult to identify further savings without affecting the delivery of our statutory duties.
- 13 We have done all that we can to control price pressures from identifying savings on our non-pay budgets as set out above. As the unavoidable increase in costs associated with ISA315 will be recovered through fees we have been able to limit our baseline increase to WCF next year to just under 3%.

Our 5-year strategy



ASSURE
EXPLAIN
INSPIRE

Fully exploit our unique perspective, expertise and depth of insight

Strengthen our position as an authoritative, trusted and independent voice

Increase our visibility, influence and relevance

Be a model organisation for the public sector in Wales and beyond

Strategic, dynamic, high quality audit programme

Targeted and impactful approach to communications and influencing

Culture and operating model that allows us to thrive now and in the future

Our Focus

Our Estimate 2023-24

Our 5 Year View

Strategic, dynamic, high quality audit programme



Completing our development and implementation of new audit platform software for both our Financial and Performance audit work to drive quality and efficiency.

Continued investment in audit quality

Respond to a new auditing standard, ISA315, which will require us to resource a significant number of our audits with more qualified staff.



Loss of EU Agricultural funds audit work

New Audit Approach

More bodies in scope for Wellbeing of Future Generations Act

Environmental auditing

Targeted and impactful approach to communications and influencing



Commence development of our external website to better meet our stakeholder requirements.

Culture and operating model that allows us to thrive now and in the future



Review our workforce strategy to identify how we meet our future workforce requirements, recognising that our salary package for qualified staff is becoming increasingly uncompetitive in a market where there is a global shortage of professionally qualified audit staff.

Continue to invest in additional cyber security measures and ensure that our ICT provision makes the best use of available technology, taking advantage of available digital solutions in the delivery of our work.



Ongoing identification of savings on our non-pay budgets, including realisation of forecast savings from removal of a fixed travel allowance following the end of our transitional arrangements in 2024, and following a move to a significantly smaller office.

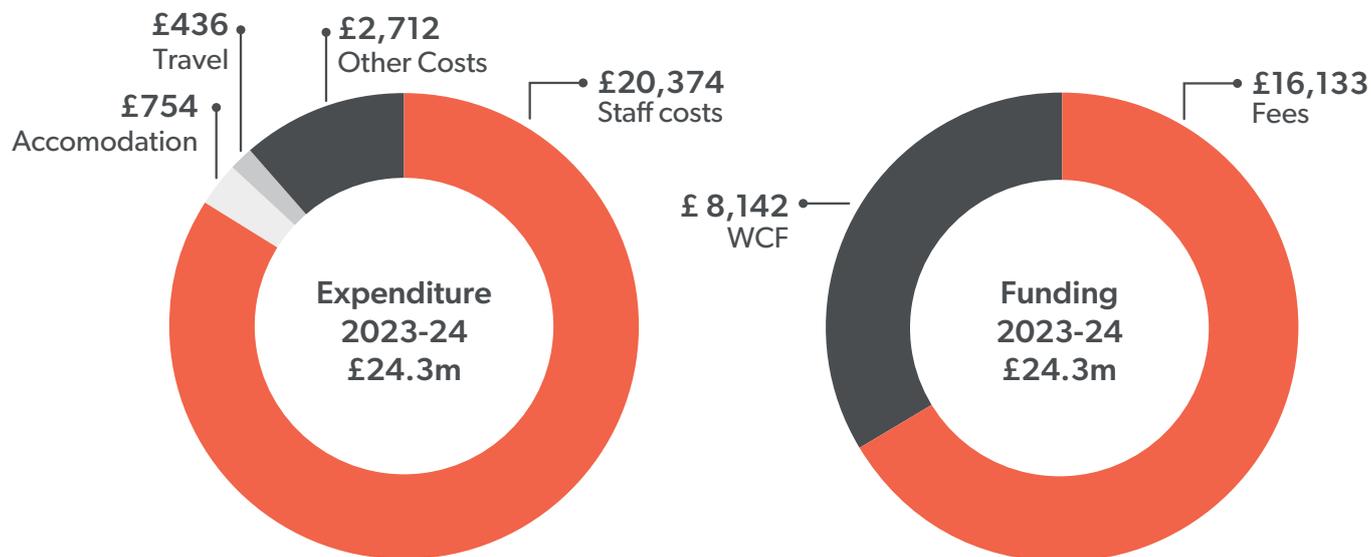
Further review our accommodation requirements in North and West Wales based on our emerging work patterns over the next few years targeting reductions in our total spend on travel and subsistence

Revenue budget 2023-24

Revenue costs and savings

- 14 Our revenue budget for 2023-24 has been set in line with our 5-year strategy ambitions and is summarised at **Appendix 1**.
- 15 **Exhibit 2** summarises our planned revenue expenditure and funding for 2023-24.

Exhibit 2: our expenditure and funding 2023-24



Staff costs

- 16 Around 84% of our budget funds salaries and associated on-costs for our 288 FTE employees who are employed to deliver our audit work across Wales – either directly or in support of this audit delivery.
- 17 Our Estimate for 2022-23 identified additional funding for investment in audit quality in response to new and complex auditing and quality standards for our accounts audit work.
- 18 We had originally anticipated that this funding would be required for 2 years whilst we assessed future need. It is now evident that for us, and the whole audit profession worldwide, that the scale and pace of audit development, coupled with the increasing expectation of regulators, will require ongoing and sustained investment in audit quality.
- 19 At the same time, we are starting to find it more difficult to recruit and retain the quality staff that we need to deliver our audit work in an increasingly competitive environment. Similar challenges are being faced by the other public audit bodies who are also experiencing significant cost pressures passed on by audit firms employed to deliver elements of the audit work programme.
- 20 A recent news article flagged the planned investment by 2 of the large private audit firms. As an example:
 - Deloitte plan to recruit 6,000 more staff over the next five years (many outside London).
 - Deloitte plans to recruit 855 audit and assurance graduates and school leavers in 2022 (a 30% increase on the previous year).
 - Azets plans to add 900 jobs across the UK over the next 12 months, including up to 400 graduates and school leavers by September 2023 (100 more than the 300 joining next month).
 - Deloitte UK will invest more than £125m in the firm's audit product and quality improvements, as well as on learning and development for its audit and assurance teams.
- 21 These figures relate to the UK. They are not alone. Last year EY announced a global investment in audit transformation of US\$10bn between 2022 and 2024.

- 22 It would be easy to dismiss these announcements on the grounds that these firms are operating at a different scale and complexity to Audit Wales. This is true, but there are two very relevant considerations for Audit Wales:
- we are in direct competition with these firms when we are recruiting new staff. Operating in this highly competitive market against some of the world's largest and most profitable professional services firms puts us in a unique position as compared to other public organisations.
 - while our scale and complexity are different, we are grappling with the same issues as the firms, including risks to audit quality and the challenges associated with audit transformation, audit of climate risk, data, cyber, emerging technologies and analytics along with the ongoing need to invest in L&D.
- 23 Whilst we remain mindful of achieving value for the public purse, we must recognise that investment in transforming all our audit approaches will require sustained and ongoing investment.
- 24 On 3 October 2022, Public Sector Audit Appointments Ltd (PSAA) – the body that undertakes auditor procurement for 99% of local government bodies in England – announced ² that it had completed the procurement exercise for audits covering the period 2023-24 to 2027-28.
- 25 This announcement included the following update on English local government audit fees:
- “ At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required. ”
- 26 While an element of this increase reflects particular difficulties in the local audit market in England, as the announcement states the increase also reflects the fact that ‘...recruitment and retention and regulatory risks are now even more pronounced’. As we have outlined these are factors that are redolent across the whole audit profession and represent fundamental cost drivers for Audit Wales.
- 27 We are under increasing pressure, both because of the current cost of living crisis and the global shortage of professionally qualified audit staff, to increase the amount that we pay our staff. In line with the steer from the Minister for Finance and Local Government we have assumed that any increases above the modest provision allowed will have to be met from savings on other budget areas. It is increasingly difficult to do so, however, without compromising staff wellbeing and delivery of or statutory duties.

- 28 We have made provision for increased staff costs of £0.8m in 2023-24 to deliver our ISA315 obligations – funded in full by increased audit fees. This is an estimate only to provide adequate headroom in the Estimate for the implementation of the new standard. Our detailed fee setting will determine the extent to which these additional resources will be required.
- 29 We are reviewing our workforce strategy to identify how we can meet our future workforce requirements. Our graduate training scheme provides us with the opportunity to recruit and train our future qualified auditors, but we recognise that the market for qualified staff is becoming increasingly competitive and we continue to review our overall benefits package to help address this.
- 30 Our staffing budget includes a provision for expected savings of 5% due to in-year natural staff turnover. Whilst we have met this level 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.

Accommodation

- 31 Audit Wales currently leases three offices in Cardiff, Penllergaer and Abergele at a total cost of just under £1m in 2022-23. As the leases are due to expire in the next few years, we have taken the opportunity to re-consider whether these offices meet our future workplace requirements.
- 32 Through the COVID pandemic most of our staff worked remotely but we have realised that, for our audit staff in particular, this was not the optimal arrangement and in recent months we have been piloting alternative hybrid working arrangements as part of the Our Future Workplaces project to assess our future accommodation needs.
- 33 As set out in our Second Supplementary Estimate for 2022-23 we have made the decision to relocate our Cardiff office to smaller premises delivering savings of around £220,000 per year – reducing our budget for accommodation in 2023-24 to just under £800,000 despite increases in energy costs.
- 34 We plan to further review our workplace requirements in North and West Wales based on our emerging work patterns over the next few years. We need to better understand the extent to which our audit teams can continue to work at our offices rather than at audited bodies. Working at our offices delivers savings in terms of travel costs and travel time but this needs to be balanced with the requirement to deliver audit quality – a blend of both approaches is likely to provide the optimal solution.

Travel and Subsistence

- 35 In 2019-20 Audit Wales spent £1.1m on travel and subsistence including £638,000 on a fixed annual Travel Allowance for our mobile staff and £445,000 on mileage and subsistence payments.
- 36 Following a value for money review by our external auditors, we made the decision to remove the fixed travel allowance from staff. Transitional arrangements, including the offer of an upfront payment or retaining entitlement to travel allowance until March 2024 were agreed with our staff. The upfront payment was partly funded from a Supplementary Estimate in 2021-22 with the agreement that this be returned to WCF over the following 2 years.
- 37 Since the COVID pandemic, we have also 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.
- 38 As a result of these changes, we expect our total spend on travel and subsistence in 2023-24 to reduce to £435,000 – a 60% reduction as compared to previous years.

ICT

- 39 To facilitate our new working arrangements as well as enabling our investment in data analytics, our ICT costs have increased in recent years. For 2023-24 we are planning to spend an additional £66,000 on ICT, £60,000 of which is for additional cyber security measures for which we are requesting additional WCF funding.

External training

- 40 Our budget for external training will increase by £63,000 in 2023-24 of which £50,000 is in respect of increased costs associated with our financial training programme.

Depreciation

- 41 Our budget for depreciation has increased by £80,000 in 2023-24 including the impact of IFRS16 on our leased premises. This is an accounting adjustment only and will not require any additional cash in 2023-24.

Fee income

- 42 For 2023-24 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.
- 43 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.
- 44 The income we receive from fees is governed by a Fee Scheme, as approved by the Senedd Finance Committee. Legislation requires us to publish a Fee Scheme at least on an annual basis.
- 45 Included within this Estimate document is our draft Fee Scheme for 2023-24 (**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 2023-24 before the Senedd and then confirm estimated fees for next year to our audited bodies.

Fee rates and fee scales

- 46 Inflationary pressures along with continued investment in audit quality have resulted in an average increase in our fee rates of 4.8%.
- 47 Additionally, for the audit of 2022-23 accounts, we have to apply a revised auditing standard (ISA315) which we anticipate will require us to use more professionally qualified staff on the vast majority of our audits.
- 48 The revised standard was issued with a view to modernising audit approaches, focusing more effectively on areas of greatest risk and reflecting the greater use of technology by auditors and audited bodies. Its release coincides with a series of corporate failings including Carillion and others as reflected in the FRC's enforcement action reports ³, placing even greater emphasis on the need for its successful implementation to maintain and enhance audit quality.

3 [Enforcement-sanctions-imposed-against-Audit-firms-and-Audit-partners-September-2022.pdf \(frc.org.uk\)](#)

- 49 The most significant changes relate to the requirements for auditors to understand in greater depth how figures flow into accounts and for identifying and assessing the risks of material misstatement. In broad terms these changes require more detailed work to identify, analyse and assess risks that the accounts may be materially misstated.
- 50 In practical terms this will require us to use more highly qualified and experienced auditors on those audits to which the standard applies – increasing both our staff costs and the associated fees for the work.
- 51 The use of more senior staff mix along with the increase in fee rates has resulted in an estimated increase in our audit of accounts fee scales of 12-18%. It is unclear at present if this increase will be sustained in future years as this will likely depend on risk factors at individual audited bodies. The actual fee incurred by any individual organisation will depend on a range of factors including its risk profile and the quality of the draft accounts presented to us for audit.

Fee scales consultation

- 52 In August 2022 we consulted all audited bodies and representative groups on our proposed fee scales for 2023-24 which made allowance for an estimated increase in our fee rates of 5.5%.
- 53 We received 17 responses which told us that:
 - the proposed increase in our fee rates and, in particular, the increase in our audit of accounts fee scales associated with ISA315, would be challenging for those bodies whose own budgets are constrained by funding settlements and who are facing the same cost of living pressures as Audit Wales.
 - audited bodies do value the work that we do and recognise that implementation of ISA315 is unavoidable.
 - a joint response from the PCS and Prospect Trade Unions referenced the fact that the proposed increase in fee rates would not allow for a pay award in 2023-24 in line with inflation which is currently running at 10%. They requested that Audit Wales make financial provision for a pay award to match inflation.
 - the timescale for the consultation, driven by the requirement to include a draft Fee Scheme within this Estimate, was difficult for a number of bodies.
- 54 We specifically asked audited bodies and Welsh Government to comment on the proposed switch from fees to WCF for a proportion of our local

Performance Audit work. We received just 3 responses from audited bodies on this point:

- concern from one Unitary Authority that the proposed thematic reviews may be of less relevance than the local performance audit work.
- a query from one Fire and Rescue Authority as to why the switch did not apply to their work.
- a response from Welsh Government stressing the importance of them understanding the quantum of funding to be switched in time for this to be reflected in their own budget decisions but also asking for further clarification on a number of points. This clarification is being provided directly.

55 The Board has reflected on these responses and as a result have re-considered the proposed increase in fee rates which has been reduced to 4.8% for the draft fee scheme attached.

56 We will also work closely with audited bodies to mitigate the impact of the implementation of ISA315 on their audit fee. For most of the bodies who will be affected by this increase, our fee represents a very small proportion of their total expenditure. For, say, a large health board with a budget of over £1bn – a 12% increase in their audit fee equates to £25,000. For a small local government or central government body, the figure would be in the region of £5,000.

Fee income budget 2023-24

57 We are anticipating an overall increase in audit fee income in 2023-24 of 7%, an increase of 4.8% in our fee rates and an average 15% increase in our audit of accounts fee income associated with the implementation of ISA315.

Our use of WCF 2023-24

How we use WCF

- 58 We use the funding provided directly from WCF for the following main purposes:
- funding audit work that is not funded by fee income – this includes our National and Local Government Studies programme.
 - contributing to the running costs of Audit Wales, including costs associated with the WAO Board, the cost of the 2019-20 pensions cost increase, the costs of learning and development for our staff and the costs of our own external auditors whose fees have increased by over 50% this year.
 - our Pan-Wales financial training programme.
 - our Good Practice Exchange.
 - free access to the National Fraud Initiative for all participating bodies.
- 59 In addition, all our capital investment is funded directly from WCF.

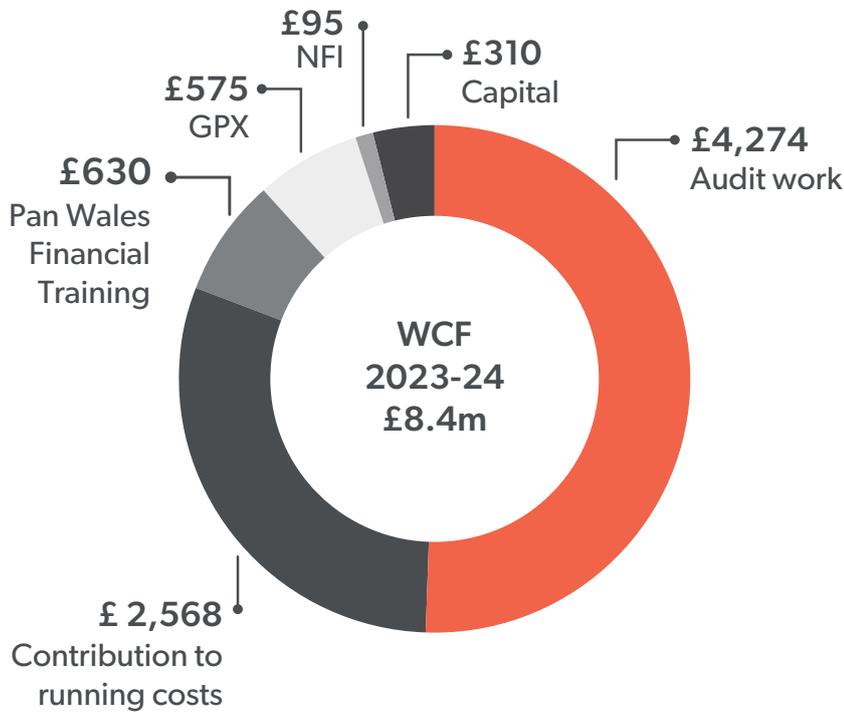
60 **Exhibit 3** details the changes in our use of WCF from 2022-23 to 2023-24.

Exhibit 3: changes in our call on the WCF 2022-23 to 2023-24

	Revenue £'000	Capital £'000	Total £'000
Baseline WCF 2022-23	8,298	310	8,608
Increased cost of audit work	221	-	221
Cyber security	60		60
Graduate training cost increase	50	-	50
External audit increase	20		20
IFRS16	80	-	80
Other supplies and services	(68)		(68)
NFI one year funding	(35)	-	(35)
Baseline WCF 2023-24	8,626	310	8,936
NFI cyclical funding	(130)		(130)
2-year reduction re TA	(354)	-	(354)
Total WCF 2023-24	8,142	310	8,452

61 **Exhibit 4** provides a breakdown of how we plan to use this funding to deliver our work in 2023-24.

Exhibit 4: our use of WCF funding 2023-24



Audit work funded from WCF

National and Local Government Studies

- 62 The Auditor General's programme of national value for money studies is undertaken to provide 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 2022-23](#).
- 63 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.
- 64 The PAPAC is one of the key mechanisms for the Senedd to hold to account the organisations which it funds directly or through the Welsh Government. 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.
- 65 We have increased funding for these areas of work for 2023-24 in line with our proposed fee rate increases.

Local Performance Audit work

- 66 As part of our five-year strategy to support our ambition to 'fully exploit our unique perspective, expertise and depth of insight', we had proposed 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 in this Estimate.
- 67 The elements of our performance audit fee that we were seeking to switch to WCF relate to delivery of 'thematic' or topic-specific reviews that typically involve audit work across several audited bodies (on an all-Wales and/or regional level) and often with a cross-sector or whole-system focus. We might also look at issues such as the Welsh Government's system leadership on the theme being examined, which cannot be funded from audit fees.

- 68 We saw such reviews as adding value to our audit regime with their ability to give a whole-system view, helping improve the quality of services provided to taxpayers, and providing feedback on the Welsh Government's 'One Welsh Public Service' developments. We were keen to make the delivery of these reviews as flexible and efficient as possible. The key constraints that we emphasised about the current funding model concerned:
- potential inflexibility in the way we disseminate findings – arising from any expectation from audited bodies paying fees that there would typically be an output specific to that body; and
 - transactional complexity – given the need to balance time charging across multiple timesheet codes and with the 'charge no more than the full cost' requirements of the Public Audit (Wales) Act 2013, meaning we must be careful that there is no cross-subsidisation from one body to another.
- 69 We have consulted audited bodies through our Fee Scales consultation and just 3 bodies commented on this proposal – including Welsh Government (as detailed in **paragraph 56**).
- 70 In stakeholder focus groups held to help shape the development of our 5-year strategy, the shift towards more 'system-wide' reporting was seen as a very positive move, providing insight that Audit Wales is uniquely positioned to deliver.
- 71 The Welsh Government was unable to confirm, prior to submission of this Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. Consequently, the change is not reflected in this Estimate. That will constrain our ability to undertake cross-cutting and whole-system work, which had been widely welcomed by stakeholders during the development of our 5-year strategy.

Other audit related work

- 72 As agreed in previous Estimates, we also use WCF funding to:
- undertake annual pieces of work to explore themes arising from our accounts work;
 - carry out necessary development associated with our performance audit work in Local Government; and
 - investigate and respond to issues brought to our attention by members of the public and their elected representatives.
- 73 Again, we have increased funding for these areas of work for 2023-24 in line with our proposed fee rate increases.

WCF Funding for wider public sector benefit

Pan-Wales financial skills development

- 74 Funding from WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 75 We currently employ around 60 graduate trainees and apprentices, providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 76 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; and
 - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 77 It has been necessary to increase the amount of funding for this programme in 2023-24 by £50,000 to reflect increased costs of training for our graduate trainees.

Good Practice Exchange

- 78 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.
- 79 During the COVID-19 pandemic, we targeted resources away from running on-site shared learning events to sharing outputs from our real-time COVID-19 learning project. Since then, we have continued to provide online events and resources and are now in the process of finalising our forthcoming programme of Good Practice outputs which will include the reinstatement of in-person events commencing from October 2022.
- 80 We continue to provide facilitation support and online resources such as blogs and podcasts which are available on our website.

National Fraud Initiative

- 81 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 £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996 – a significant return on investment.
- 82 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.
- 83 For 2022-23 Finance Committee agreed to increase the funding allocated to NFI by £80,000 to allow us to invest in the development of data analytic tools to identify transactions which have a high fraud risk. Of this increase, £35,000 was for first year set up costs associated with accessing bank verification information. This funding will not be required from 2023-24.
- 84 Funding for our NFI work is subject to alternate year increases / reductions to meet bi-annual Cabinet Office costs for data checking. 2023-24 will see a reduction of £130,000 as compared to 2022-23.
- 85 A full breakdown of the funding allocated for NFI is set out in **Exhibit 5**.

Exhibit 5: National Fraud Initiative cost breakdown 2022-23 to 2024-25

	2023-24 £'000	2022-23 £'000	Change £'000
NFI Application Checker (App Check).	50	50	-
Payments to Cabinet Office (alternate years)	-	130	(130)
Additional data matching	45	80	(35)
Total	95	260	(165)

Capital investment

- 86 Our capital investment priorities for 2022-23 to 2026-27 are set out in **Exhibit 6**.
- 87 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.

Exhibit 6: capital investment 2022-23 to 2026-27

	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000
Change Programme	200	200	400	400	400
ICT Strategy	110	110	110	110	110
Total	310	310	510	510	510

Our Change Programme

- 88 We have established a transformational 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

- 89 This is our most significant change project to date and, in 2022-23, as a result of an in year Supplementary Estimate, we will conclude the relocation of our Cardiff office to new, smaller premises which will deliver significant savings on our accommodation costs. We continue to review our accommodation needs at our other offices in Penllergaer and Abergele 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

90 We continue to invest in digital tools to ensure that we can deliver our work as efficiently and effectively as possible. Planned investment for 2023-24 includes:

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

Our ICT Strategy

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

IFRS16 adjustments

Background

- 92 A new accounting standard, International Financial Reporting Standard 16 – Leases (IFRS 16), had been due to take effect from financial year 2020-21. Due to issues created by the COVID pandemic, HM Treasury and the Financial Reporting Advisory Board (FRAB) decided to defer the implementation of IFRS 16 until January 2022.
- 93 Our First Supplementary Estimate for 2022-23 reflected the changes in accounting treatment necessary for the implementation of IFRS in our 2022-23 accounts.
- 94 IFRS 16 requires all leases to be accounted for on a consistent basis. Previously, leases classified as ‘operating leases’ were not recognised and were reported ‘off-balance sheet’. This change primarily affects the treatment of the leases of our three offices at Cathedral Road, Cardiff, Penllergaer and Abergele, which are not currently classified as assets and depreciated.
- 95 For 2022-23, given the short amount of time remaining on our office leases, the net resource impact for Audit Wales was negligible, requiring no adjustment to our overall resource or cash budgets.

Impact on Estimate 2023-24

- 96 For 2023-24 we will be signing a new lease on an office at Capital Quarter, Cardiff and terminating the lease at Cathedral Road. Additional resource cover of £80,000 is required for IFRS16 related depreciation. No additional cash cover is required.

97 The associated cash and non-cash adjustments are set out below.

	£'000
IFRS 16 Depreciation and interest (Non-cash)	360
Lease rental payments	(280)
Net resource adjustment	80

98 Separately, in 2023-24 we will need to settle a dilapidation claim following the vacation of our Cathedral Road office. Provision for this has been built up in our accounts over a number of years and hence no additional resource cover is required. A maximum cash requirement of £550,000 has been included in our Estimate with any unused cash being returned to WCF.

Future funding requirements

Wellbeing of Future Generations (WFG)

- 99 In July 2022, Welsh Government announced a consultation on the proposed extension of the WFG Act to 8 additional bodies. These now include two bodies for which the AGW is not the external auditor (Transport for Wales and Centre for Digital Public Services) and three (Qualifications Wales, Social Care Wales, and the Welsh Revenue Authority) where we do not have local performance audit arrangements within which to consider embedding WFG work. The other three are NHS bodies, Health Education Improvement Wales, Digital Health Care Wales, and the Welsh Ambulance Services Trust.
- 100 Welsh Government is proposing that the new bodies would be subject to the well-being duty from 1 April 2023, and that bodies would be expected to set their well-being objectives within 12 months (by March 2024). If we are required to discharge our WFG duties across these bodies by March 2025 then this will have a bearing on the shape of our discretionary work programme over the next couple of years.
- 101 Any additional resources required to carry out this work will most likely be from 2024-25 but if the outcome of the consultation exercise results in our work having to start earlier than expected, it may be necessary to submit a Supplementary Estimate in 2023-24 to provide the additional resources required.
- 102 No provision for associated costs or funding has yet been included in our MTFP pending the outcome of the consultation exercise.

Our Medium-Term Financial Plan

103 Set out below are known changes to our medium-term financial position. Given the current uncertainties around inflation, no allowance has been made for future price increases after 2023-24. Provision has however been made for known changes including:

- the full implementation of our new travel and subsistence arrangements from April 2024 including the end of WCF payback.
- the impact on fee income and associated resources from April 2024 as our work on EU Agricultural Funds comes to an end.
- bi-annual funding for NFI.

Exhibit 7: Medium Term Financial Plan 2023-24 to 2027-28

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000
Staff costs	20,374	20,846	21,105	21,186	21,188
Accommodation	754	754	754	754	754
T&S	435	290	290	290	290
NFI cyclical costs	0	130	0	130	0
Other costs	2,712	2,712	2,712	2,712	2,712
Total expenditure	24,275	24,732	24,861	25,072	24,944
Audit Fee Income	16,133	16,106	16,365	16,446	16,448
Total call on WCF (Revenue)	8,142	8,626	8,496	8,626	8,496
Total revenue funding	24,275	24,732	24,861	25,072	24,944
Total call on WCF (Capital)	310	510	510	510	510

Appendices

- 1 Revenue budget 2023-24
- 2 Draft Fee Scheme 2023-24

1 Revenue budget 2023-24

	Estimate 2023-24 £'000	Estimate ⁴ 2022-23 £'000	Increase/ (Reduction) £'000	
Expenses	Staff costs	20,241	19,511	730
	Staff costs re ISA315	800	-	800
	Vacancy management	(987)	(939)	(48)
	Travel and subsistence	435	638	(203)
	Accommodation	754	976	(222)
	Irrecoverable VAT	500	500	-
	ICT	699	633	66
	Audit Wales governance	320	300	20
	External training	341	278	63
	NFI annual costs	95	130	(35)
	Depreciation	360	280	80
	Other supplies and services	1,217	1,089	128
	Savings target	(500)	(500)	-
	TOTAL	24,275	22,896	1,379
	Cyclical NFI costs	-	130	(130)
Expenses total	24,275	23,026	1,249	
Income	Audit Fees	14,605	13,619	986
	EU Agricultural Funds Audit	600	650	(50)
	Grant certification fees	928	813	115
INCOME TOTAL	16,133	15,082	1,051	
Total to be funded from WCF	8,142	7,944	198	

2 Draft Fee Scheme 2023-24

Fee Scheme 2022-23

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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Adrian Crompton

Auditor General for
Wales



Lindsay Foyster

Chair, Wales Audit
Office

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- 3 Fee scales from 1 April 2022

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 2023-24

- 2 As set out in our consultation on proposed fees in August 2022, 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. 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.
- 3 We continue to make significant investment in audit quality to respond to recent UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 4 Taking these factors together means that we need to increase our fee rates by an average of 4.8% in 2023-24 – a reduction as compared to the proposed 5.5% increase set out in our consultation paper.
- 5 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.
- 6 Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

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

Exhibit 1: proposed fee rates 2023-24

Grade	Rate (£ per hour) 2023-24	Rate (£ per hour) 2022-23
Audit Director	168	163
Audit Manager	129	122
Audit Lead	106	100
Senior Auditor	85	84
Auditor	61	60
Graduate trainee	55	51
Apprentice	40	39

7 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.

8 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.

9 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.

- 10 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.
- 11 We went beyond the statutory fee consultation requirements and, in August 2022, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2023-24.
- 12 We received 17 responses which told us that:
 - the 5.5% increase in our fee rates and, in particular, the 12-18% increase in our audit of accounts fee scales would be challenging for those bodies whose own budgets were increasing at the same level and who were facing the same cost of living pressures as Audit Wales.
 - audited bodies do value the work that we do and recognise that implementation of ISA315 is unavoidable.
 - the timescale for the consultation, driven by the requirement to include a draft Fee Scheme within this Estimate, was difficult for some bodies.
- 13 We specifically asked audited bodies and Welsh Government to comment on the proposed switch from fees to WCF for a proportion of our local Performance Audit work. We received just 3 responses from audited bodies on this point:
 - a concern from one Unitary Authority that the proposed thematic reviews may be of less relevance than the local performance audit work.
 - a query from one Fire and Rescue Authority as to why the switch did not apply to their work.
 - a response from Welsh Government stressing the importance of them understanding the quantum of funding to be switched in time for this to be reflected in their own budget decisions but also asking for further clarification on a number of points. The Welsh Government were unable to confirm support for this change so this will not now go ahead.
- 14 The Board has reflected on these responses and has responded by re-considering the proposed increase in fee rates, reducing the proposed increase from 5.5% to 4.8%.
- 15 We will work closely with audited bodies in an attempt to mitigate the impact of the implementation of ISA315 on their audit fee.

Local Government Fee scales 2023-24

- 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 the 2022-23 financial accounts, together with fee funded performance audit work to be undertaken in 2023-24, are provided in **Appendix 3** 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 the August consultation, our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.
- 27 Our initial assessment of the impact of this richer skills mix is an average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

Charging of fees

- 28 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.
- 29 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.
- 30 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.

- 31 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

- 1 Public Audit (Wales) Act 2013 – full text of section 24**
- 2 List of enactments under which the Wales Audit Office may and must charge fees**
- 3 Fee scales from 1 April 2022**

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;
 - (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^[1].

1 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.

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

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004

Nature of work	Enactments
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013
The Wales Audit Office must prescribe fee scales for the following activities	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government & Elections (Wales) Act 2021

3 Fee Scales 2023-24

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

- 32 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 33 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. Our last biennial report identified potential savings and over-payments of £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996.
- 34 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 2022-23
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

35 Our audit of accounts fee scale takes account of the expected additional resources required for the implementation of ISA315 on the audit of 2022-23 accounts. We will be working with audited bodies to mitigate additional costs where possible.

Unitary authorities

Exhibit 3: fee scale for the audit of 2022-23 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	183	139
200	163	191	220	167
300	181	213	245	186
400	196	230	265	200
500	208	244	281	213
600	218	257	295	223
700	227	267	307	233
800	235	277	319	241
900	243	286	329	249
1,000	250	294	338	256
1,100	256	302	347	262
1,200	262	309	355	268

Exhibit 4: fee scale for 2023-24 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	137	146	164	105

Local Government Pension Funds**Exhibit 5: fee scale for audit of 2022-23 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	36	48	57	41

Fire and Rescue Authorities**Exhibit 6: fee scale for audit of 2022-23 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	40	47	54	41
40	48	56	65	49
60	53	63	72	54
80	57	68	78	59
100	61	72	82	62

Exhibit 7: fee scale for 2023-24 performance audit work

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

National Park Authorities**Exhibit 8: fee scale for audit of 2022-23 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	25	29	33	25
4	30	35	40	30
6	33	39	45	34
8	36	42	48	36
10	38	44	51	39

Exhibit 9: fee scale for 2023-24 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	26	21

Police and Crime Commissioners

- 36 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 2022-23 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	68	78	89	69
100	80	93	106	81
150	88	102	117	90
200	95	110	125	96
250	100	116	133	102
300	105	122	139	106
350	109	126	144	111

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

- 37 Town and community councils in Wales are subject to a limited assurance audit regime.
- 38 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

- 39 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 35**.
- 40 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.
- 41 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 2022-23 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	£150 – £183	£170 – £200	£230 – £282	£356 – £435	£635 – £760	£845 – £1,090
Limited procedures	£110 – £130	£136 – £162	£136 – £162	£210 – £250	£210 – £250	£210 – £250

Fee rates for other work in local government

- 42 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.
- 43 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.
- 44 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



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales