

# Fee Scheme 2023-24

January 2023

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

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- 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.
- 2 This Fee Scheme sets out:
  - the enactments under which we charge audit fees (**Appendix 2**).
  - 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.
- 3 Broadly, 66% of our expenditure is funded through fees charged to audited bodies. The remaining 34% is provided from the Welsh Consolidated Fund (WCF) through the budget motion passed by the Senedd.
- 4 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.
- 5 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.
- 6 This consultation discussed:
  - a proposed average increase in our fee rates of 5.5%;
  - potential increases of 12 to 18% in our audit of accounts fee scales associated with the implementation of a revised auditing standard, ISA315; and
  - a proposed switch of some funding for local Performance Audit work from fees to the WCF to facilitate more cross sectoral thematic reviews.

- 7 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 not 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 our Estimate, was difficult for some bodies;
  - there were no particular concerns with the proposal to switch funding for local Performance Audit work from fees to the WCF from audited bodies; and
  - we would need to work closely with the Welsh Government to confirm both the quantum and impact of the proposed switch.
- 8 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%.
- 9 We will work closely with audited bodies to mitigate the impact of the implementation of ISA315 on their audit fee and our Engagement Directors will discuss audit-specific fees with each body as we approach the next audit year.
- 10 The Welsh Government was unable to confirm, prior to submission of our Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless and therefore we will not be making this change for 2023-24.
- 11 We also plan to continue to provide access to the National Fraud Initiative and our GPX events at no cost to participating bodies.

# Fee rates and fee scales

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## Fee rates 2023-24

- 12 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 £2 million over the next five years being identified.
- 13 We continue to make significant investment in audit quality to respond to recent UK-wide reviews<sup>1</sup> of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 14 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.
- 15 Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

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

**Exhibit 1: proposed fee rates 2023-24**

<b>Grade</b>	<b>Rate (£ per hour) 2023-24</b>	<b>Rate (£ per hour) 2022-23</b>
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

- 16 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.

## Local Government Fee scales 2023-24

- 17 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.
- 18 We are required to prescribe fee scales for:
  - work relating to the audit of local government bodies;
  - work under the Local Government (Wales) Measure 2009<sup>2</sup> (fire and rescue authorities only);
  - work under the Local Government and Elections (Wales) Act 2021; and
  - data-matching work (NFI).
- 19 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.
- 20 A separate fee scale is provided in relation to the NFI.
- 21 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.
- 22 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.

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2 The Local Government (Wales) Measure 2009 is in a process of phased repeal as various provisions of the Local Government and Elections (Wales) Act 2021 commence.



## ISA315 implementation

- 23 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.
- 24 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.

## Local performance audit work

- 25 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.
- 26 The Welsh Government was unable to confirm, prior to submission of our Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. The fee scales set out in **Appendix 3** therefore do not reflect this change.

# Charging of fees

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- 27 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.
- 28 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.
- 29 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 30 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

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- 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 2023**

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

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- (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<sup>[3]</sup>.

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

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- (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 the Wales Audit Office may and must charge fees

Nature of work	Enactments
<b>The Wales Audit Office may charge fees for the following activities</b>	
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
<b>The Wales Audit Office must prescribe fee scales for the following activities</b>	
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 and Elections (Wales) Act 2021

## 3 Fee scales from 1 April 2023

### Fee scales for work undertaken under the National Fraud Initiative (NFI)

- 31 We are required to consult on and prescribe scales of fees for data matching for mandatory participants in the NFI. The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 32 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.
- 33 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 simplifies arrangements for mandated participants.
- 34 As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

#### Exhibit 2: NFI fees

	Fee 2023-24
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 unitary authorities

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.

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

Gross Expenditure £ million	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
	105	112	126	105

**Fee scales for 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

**Fee scales for fire and rescue authorities****Exhibit 6: fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	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**

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

**Fee scales for national park authorities****Exhibit 8: fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	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

## Fee scales for 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 £ million	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

## Fee scales for 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 7.
- 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 scales 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 few 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 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.
- 44 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.
- 45 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.

- 46 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.
- 47 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity or any 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**

<b>Grade of staff</b>	<b>Complex grants staff mix %</b>	<b>All other grants staff mix %</b>
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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