

# **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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# Introduction

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## 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.
- 2 As set out in our [consultation on proposed fees](#) December 2021 and our [Estimate for 2022-23](#), we need to make additional investment in audit quality to respond to recent UK-wide reviews<sup>1</sup> of audit which have potential wide-ranging implications for the whole audit profession. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 3 We also need to respond to a legal ruling which means that we can no longer require our audit staff to undertake travel to client sites in their own time. Whilst our future ways of working will significantly reduce our requirement to travel, there will still be occasions where this will be necessary to complete our audit work.
- 4 Through the identification of cost savings and audit efficiencies, we have managed to hold our fee scales at the same level since 2016, but due to the pressures mentioned above, we are having to pass on a 3.7% increase in fee rates and fee scales for 2022-23. We do, however, remain committed to minimising fees where we can do so through audit efficiencies.
- 5 Our Engagement Directors will discuss audit-specific fees with each body as we approach the next audit year.
- 6 We also plan to continue to provide access to the National Fraud Initiative and our GPX events at no cost to participating bodies.
- 7 This Fee Scheme sets out:
  - the enactments under which we charge audit fees.
  - the arrangements for setting those fees, which comprise either:

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

- 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, 65% of our expenditure is funded through fees charged to audited bodies. The remaining 35% 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, as a result 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 November 2021, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2022-23
- 12 A total of 78 different bodies were consulted. We received just four responses, suggesting that for most bodies, our fees are not a significant area of concern. Responses received told us that audited bodies:
- highly regarded the work done by our audit teams.
  - welcome the proposal to continue to provide access to the National Fraud Initiative on a nil-fee basis.
  - understood the necessity for the increase in fees although noting the impact on their own budgets.
  - had some questions about the differential increases between fees and WCF which we will respond to directly.
  - were concerned that savings on travel resulting from changes in working patterns were not fully reflected in our fees. Whilst we have allowed for a reduction in travel in both our Estimate and fees, the expectation is that some travel will be necessary to effectively deliver our audit work once the pandemic is over.

13 Our proposed fee rates for 2022-23 are set out in **Exhibit 1**.

**Exhibit 1: proposed fee rates 2022-23**

Grade	Rate (£ per hour) 2022-23	Rate (£ per hour) 2021-22
Engagement Director	163	162
Audit Manager	122	119
Audit Lead	100	96
Senior Auditor	84	77
Auditor	60	59
Graduate trainee	51	48
Apprentice	39	37

14 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).

15 Fee scales for the audit of the 2021-22 financial accounts, together with performance audit work to be undertaken in 2022-23, 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. A separate fee scale is provided in relation to the NFI. 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.

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.

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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.

- 17 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.
- 18 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.
- 19 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.
- 20 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.
- 21 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.
- 22 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.

# Charging of fees

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- 23 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.
- 24 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.
- 25 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 26 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



# 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 2022**

# Appendix 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.

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- (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>.
  - (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.

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

# ◀ Appendix 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

Nature of work	Enactments
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
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 & 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 request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013

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<b>Nature of work</b>	<b>Enactments</b>
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

# Appendix 3 – Fee scales from April 2022

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

- 27 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.
- 28 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.
- 29 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. For 2022-23, the Senedd has made additional funding available to allow us to pilot data matching products developed by the UK NFI Team to enable public bodies to undertake bank verification and trading status checks on organisations which have applied for grant funding.
- 30 As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

**Exhibit 2: NFI fees**

	<b>Fee 2022-23</b>
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

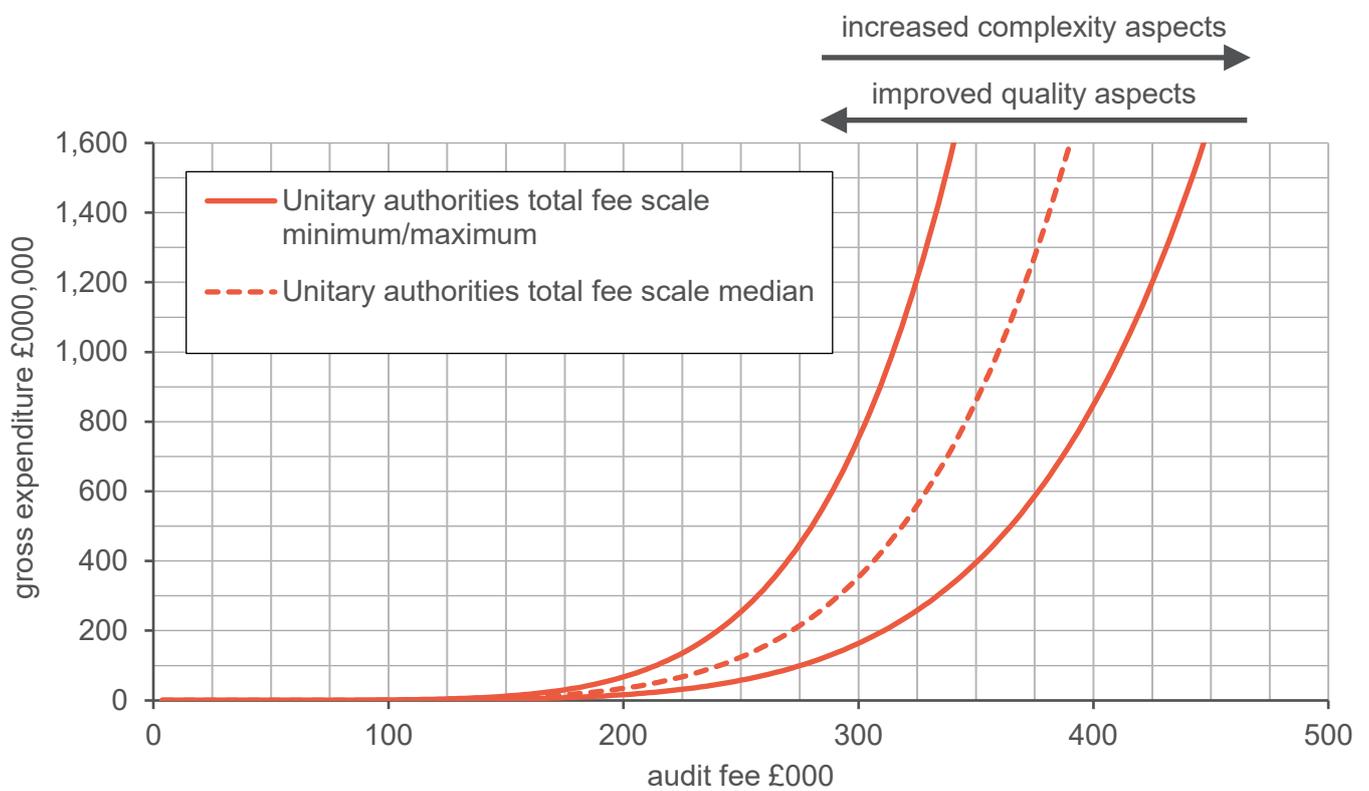
**Fee scales for unitary authorities****Exhibit 3: fee scale for the audit of 2021-22 accounts**

<b>Gross Expenditure £m</b>	<b>Fee range</b>			<b>Previous Year</b>
	<b>Minimum £'000</b>	<b>Median £'000</b>	<b>Maximum £'000</b>	<b>Median £'000</b>
100	118	139	159	133
200	142	167	192	161
300	158	186	213	179
400	170	200	230	193
500	181	213	245	205
600	190	223	257	215
700	198	233	267	224
800	205	241	277	232
900	211	249	286	240
1,000	217	256	294	246
1,100	223	262	302	253
1,200	228	268	309	259

**Exhibit 4: fee scale for 2021-22 performance audit work**

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	98	105	119	101

**Exhibit 5: graph of total fee scale for unitary authorities**



## Fee scales for local government pension funds

### Exhibit 6: fee scale for audit of 2021-22 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	31	41	49	41

## Fee scales for fire and rescue authorities

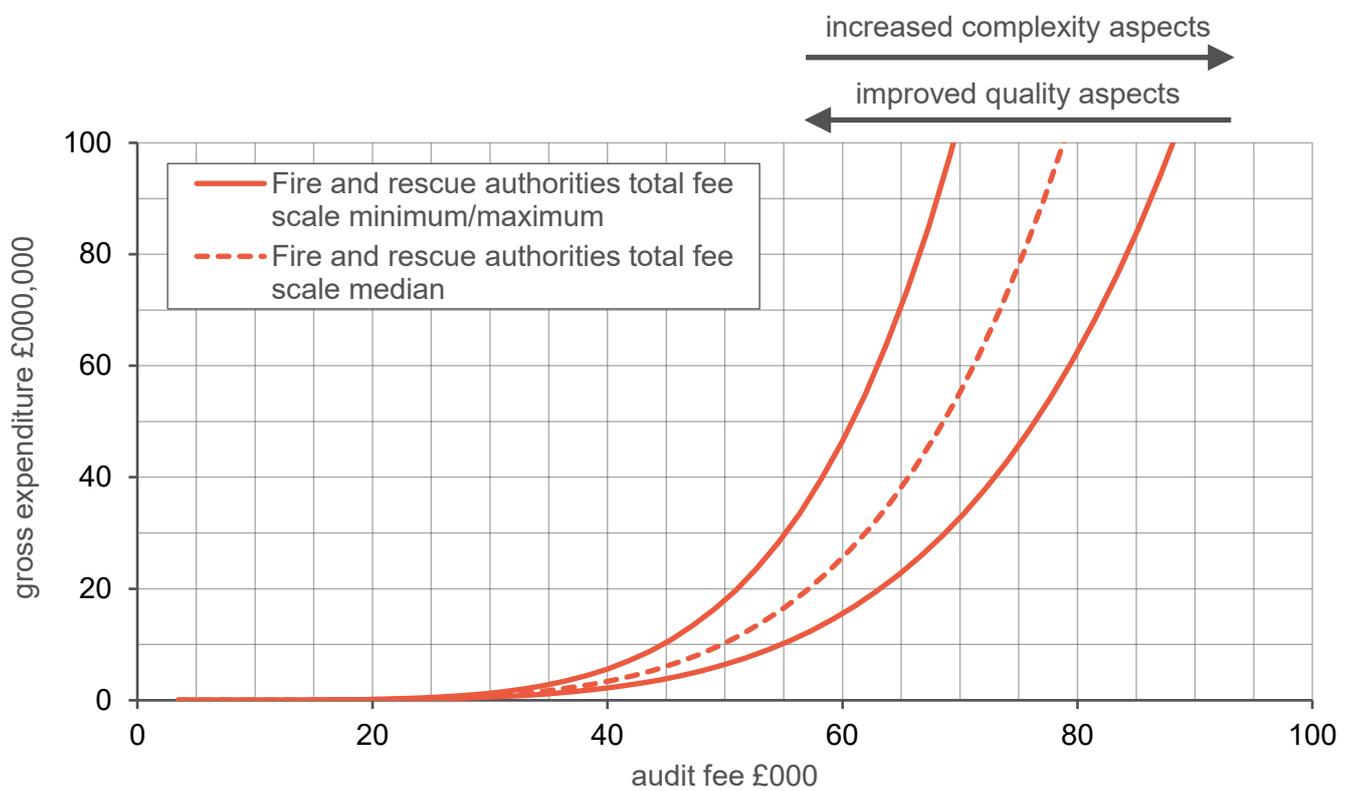
### Exhibit 7: fee scale for audit of 2021-22 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	35	41	47	39
40	42	49	56	47
60	46	54	63	52
80	50	59	68	57
100	53	62	72	60

**Exhibit 8: fee scale for 2022-23 performance audit work**

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	17	17	17	16

**Exhibit 9: graph of total fee scale for fire and rescue authorities**



## Fee scales for national park authorities

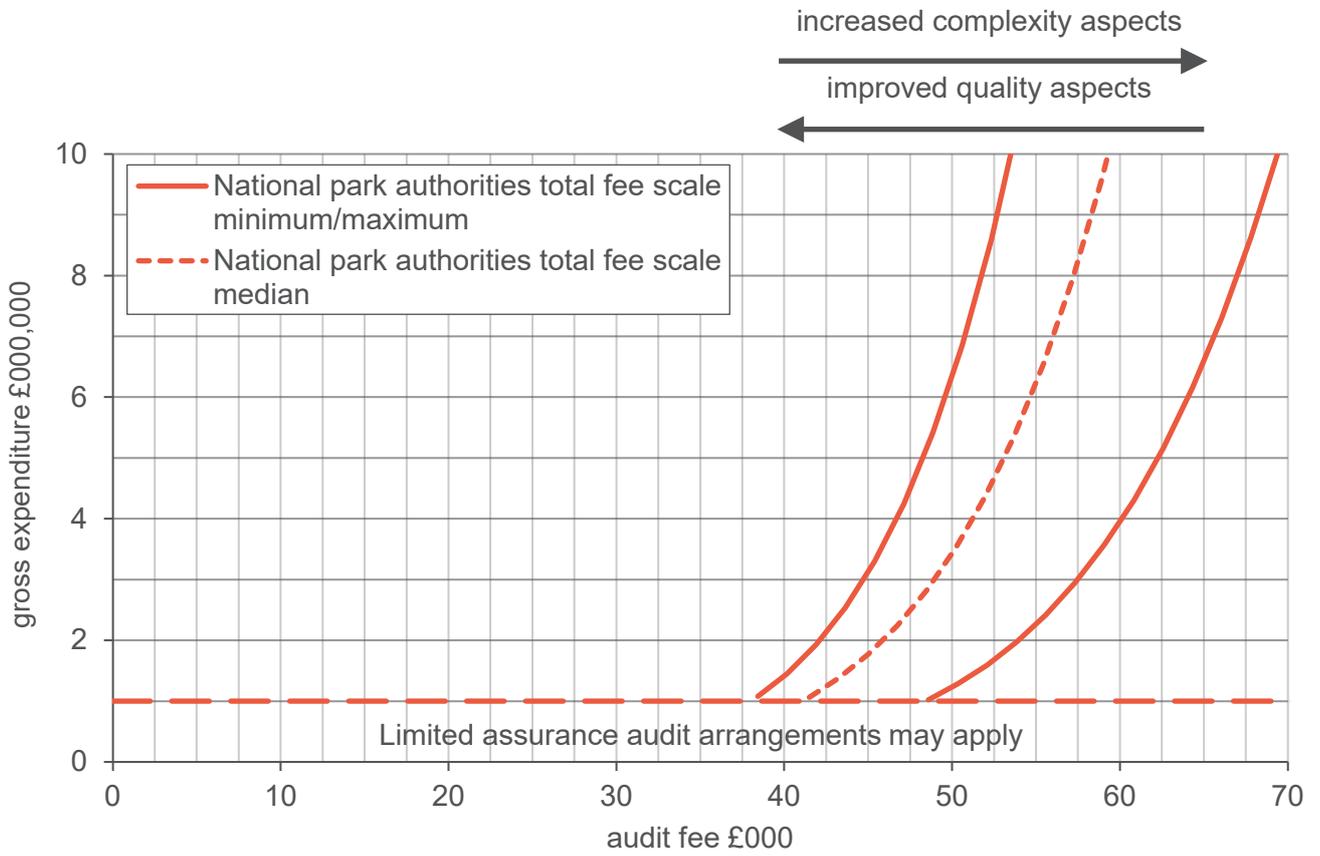
### Exhibit 10: fee scale for audit of 2021-22 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	21	25	29	24
4	26	30	35	29
6	29	34	39	32
8	31	36	42	35
10	33	39	44	37

### Exhibit 11: fee scale for 2022-23 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	21	21	25	17

**Exhibit 12: graphic of total fee scale for national park authorities**



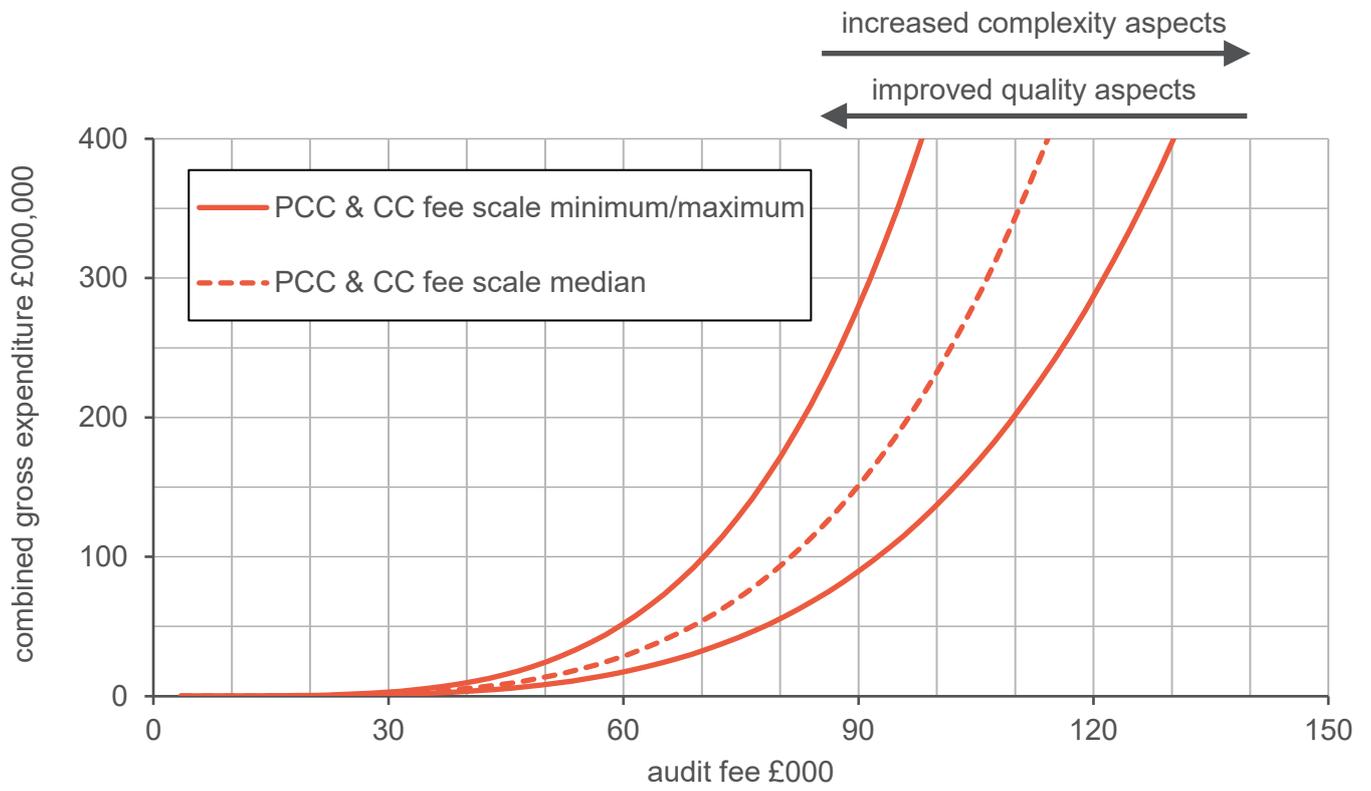
## Fee scales for police and crime commissioners

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 13: fee scale for audit of 2021-22 accounts (including performance audit work to be undertaken in 2022-23)

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCC and CC			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	60	69	78	64
100	70	81	92	76
150	77	90	102	85
200	83	96	110	91
250	88	102	116	96
300	92	106	121	101
350	95	111	126	105

**Exhibit 14: graph of total fee scale for police and crime commissioners and chief constables**



## Fee scales for town and community councils with annual income or expenditure under £2.5 million

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

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 15**.

### Exhibit 15 – 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

Charges for this work are based on the time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 6**.

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

It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 16** is for indicative purposes only.

### Exhibit 16: estimated time charges for the audit of 2021-22 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	£145 – £175	£160 – £190	£220 – £270	£340 – £415	£605 – £725	£805 – £1,040
Limited procedures	£105 – £125	£130 – £155	£130 – £155	£200 – £240	£200 – £240	£200 – £240

## Fee rates for other work in local government

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

For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 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.

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 17**.

**Exhibit 17: 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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