

Fee Scheme

2021-22

February 2021

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Introduction

Fee rates and fee scales

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 As set out in our consultation on proposed fees in November 2020, the Board and Auditor General for Wales remain determined to contain audit fees whilst ensuring that our audit quality continues to meet rigorous standards.
- 3 At Audit Wales we are acutely aware of the impact that the global COVID-19 pandemic is having on our public services. We are responding to that by reducing our call on the Welsh Consolidated Fund (WCF) in 2021-22 and by containing our fee rates and fee scales at the levels set for 2020-21.
- 4 Most public services have seen real-terms reductions in their audit fees in recent years, unless local circumstances have justified otherwise. We remain committed to reducing fees where we can do so through audit efficiencies and by containing our operating costs. Our Engagement Directors will discuss audit-specific fees with each body as we approach the next audit year.
- 5 We also plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis with costs being met from the WCF.
- 6 This Fee Scheme reflects our approved Estimate for 2021-22 and 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.

- 7 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.
- 8 Legislation requires that the fees we charge **may not exceed** the full cost of exercising 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.
- 9 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.
- 10 We went beyond the statutory fee consultation requirements and, in November 2020, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2021-22.
- 11 A total of 82 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:
 - valued the pragmatic and flexible approach of our audit teams during this difficult year;
 - welcome the proposal not to increase our fee rates for 2021-22 and to provide access to the National Fraud Initiative on a nil-fee basis;
 - requested that our commitment to contain operating costs was not at the expense of audit quality;
 - expressed some concern that audit fees would increase in response to the significant increases in expenditure incurred in response to the COVID pandemic;
 - would welcome a detailed breakdown of their fees to better understand the time required for the audit; and
 - noted that the consultation made no reference to benchmarking information which they felt would better enable them to assess the value for money of our audit fees.

- 12 Our proposed fee rates for 2021-22 are unchanged from the current year and are set out in **Exhibit 1**.

Exhibit 1: Proposed Fee Rates 2021-22

Grade	Rate (£ per hour) 2021-22	Rate (£ per hour) 2020-21
Engagement Director	162	162
Audit Manager	119	119
Audit Lead	96	96
Senior Auditor	77	77
Auditor	59	59
Graduate trainee	48	48
Apprentice	37	37

- 13 We are required to prescribe fee scales for:
- work relating to the audit of local government bodies;
 - work under the Local Government (Wales) Measure 2009¹; and
 - data-matching work (NFI).
- 14 Fee scales for the audit of the 2020-21 financial accounts and 2021-22 improvement information audits and improvement assessments are provided in **Appendix 3** in relation to work conducted at unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, town and community councils and local government pension funds. A separate fee scale is provided in relation to the NFI.
- 15 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.

1 The Local Government (Wales) Measure 2009 will be repealed on the Local Government and Elections (Wales) Bill receiving Royal Assent and commencement of relevant provisions. It seems likely that the fee provisions of the 2009 Measure will remain in force in respect of 2021-22.

- 16 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.
- 17 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.
- 18 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.
- 19 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.
- 20 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.
- 21 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

- 22 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.
- 23 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.
- 24 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 25 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 2021

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

- (1) The WAO must prepare a scheme relating to the charging of fees by the WAO.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the WAO may charge a fee;
 - (b) where those enactments make provision for the WAO to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the WAO 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 WAO:
 - (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^[2].
 - (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 WAO, the WAO must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the WAO.
 - (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 WAO must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

2 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
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

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
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 & 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

Appendix 3 – Fee scales from April 2021

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

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.

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.

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. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2021-22
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

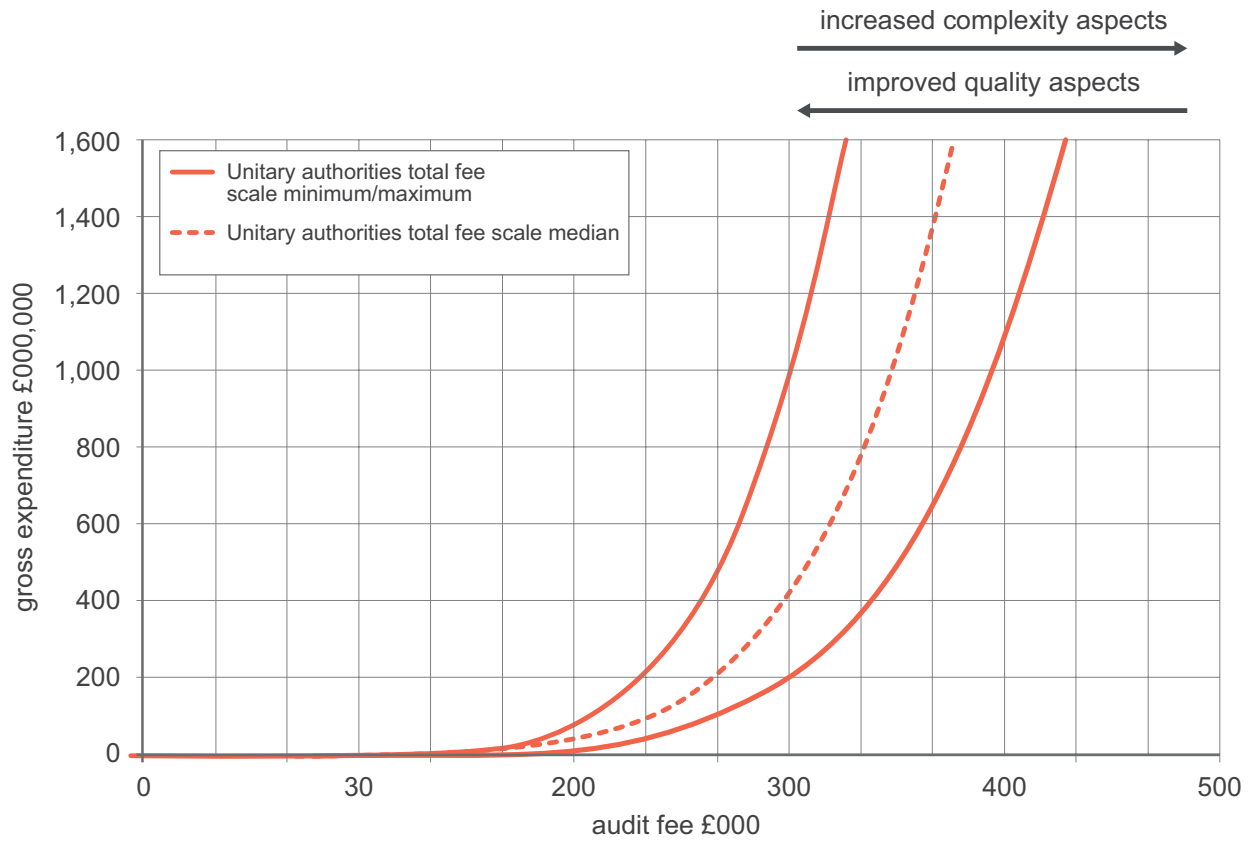
Exhibit 3: fee scale for the audit of 2020-21 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	113	133	153	133
200	136	161	185	161
300	152	179	206	179
400	164	193	222	193
500	174	205	236	205
600	183	215	247	215
700	190	224	258	224
800	197	232	267	232
900	204	240	276	240
1,000	209	246	283	246
1,100	215	253	291	253
1,200	220	259	297	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
	93	101	112	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 2020-21 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	30	41	48	41

Fee scales for fire and rescue authorities

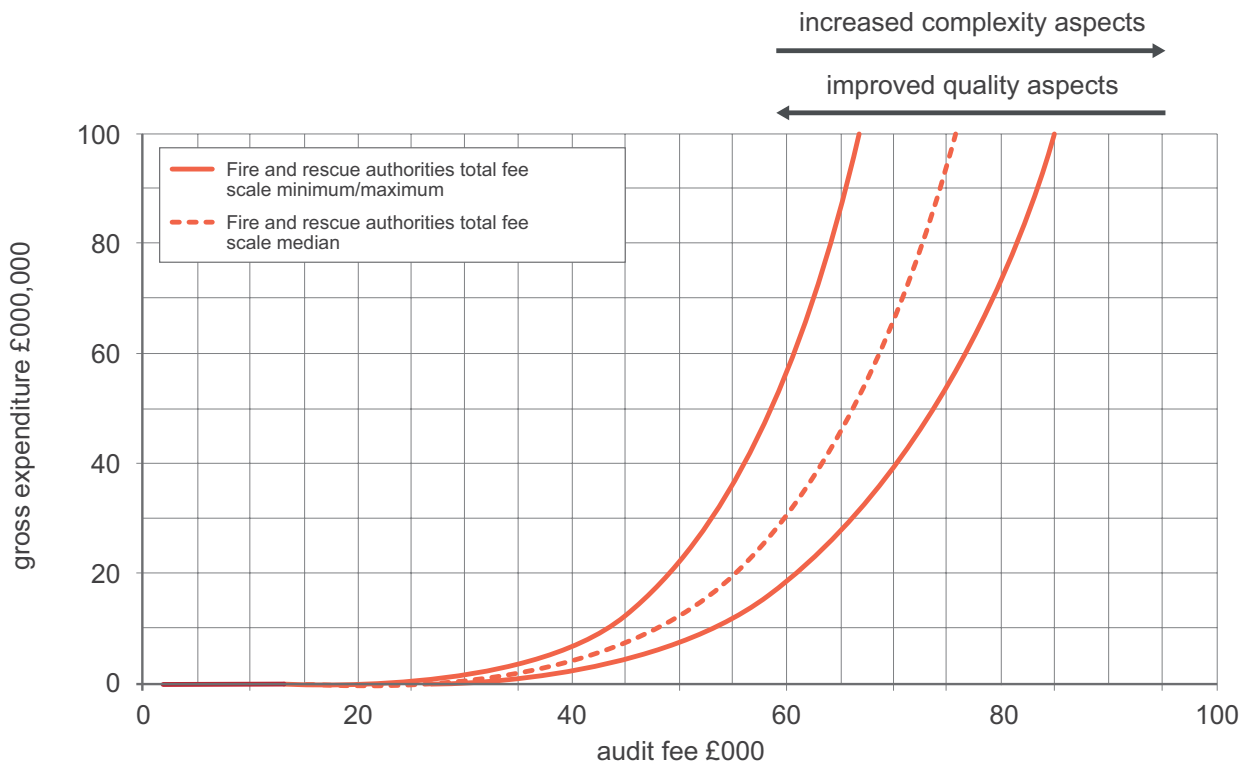
Exhibit 7: fee scale for audit of 2020-21 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	33	39	45	39
40	40	47	54	47
60	45	52	60	52
80	48	57	65	57
100	51	60	69	60

Exhibit 8: fee scale for 2021-22 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	16	16	16	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 2020-21 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	21	24	28	24
4	25	29	34	29
6	28	32	37	32
8	30	35	40	35
10	32	37	43	37

Exhibit 11: fee scale for 2021-22 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	14	17	19	17

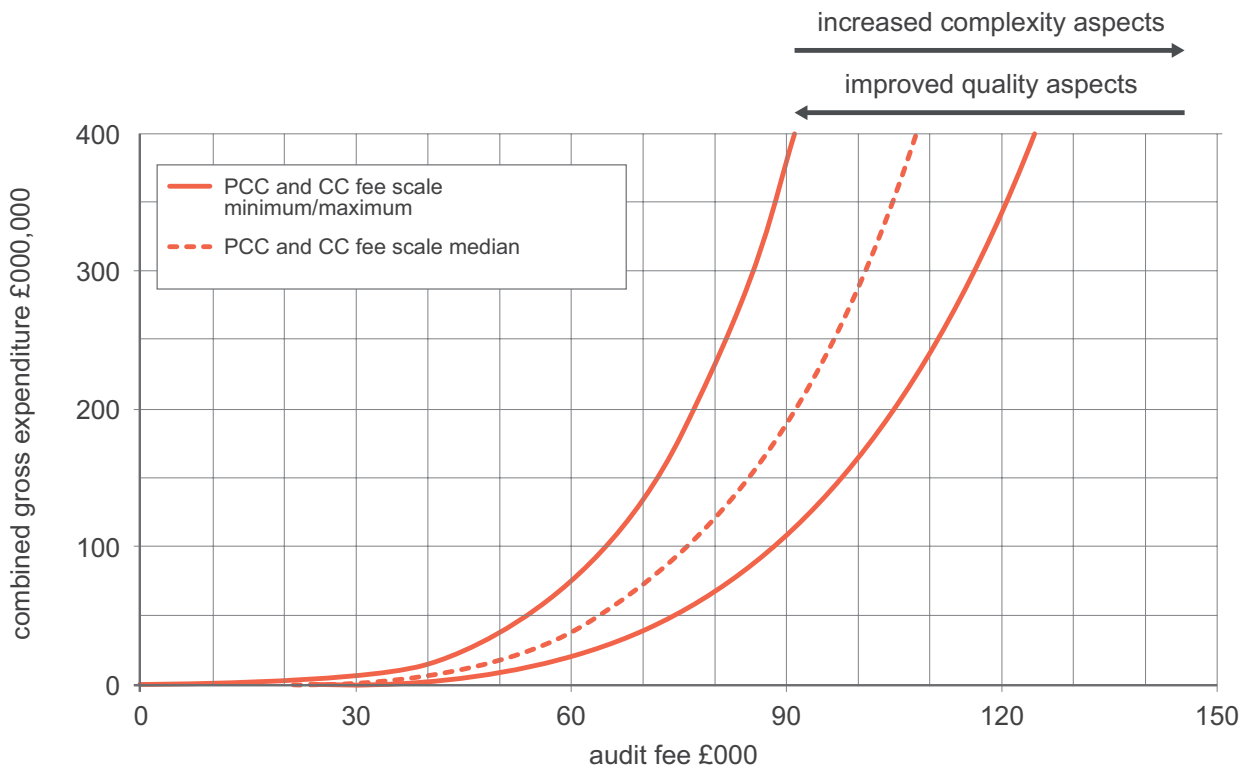
Fee scales for police and crime commissioners

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 12: fee scale for audit of 2020-21 accounts

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	54	64	74	64
100	65	76	88	76
150	72	85	97	85
200	77	91	105	91
250	81	96	111	96
300	85	101	116	101
350	89	105	121	105

Exhibit 13: 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 January 2020, the Auditor General consulted on new audit arrangements to apply for the 2020-21 audits. In October 2020, the Auditor General published a paper setting out the changes that will be made to the audit arrangements from 2020-21 onwards where audits will be carried out on a three-year cycle as set out in **Exhibit 13**.

Exhibit 13 – 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 4.

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 14** is for indicative purposes only.

Exhibit 14: estimated time charges for the audit of the 2020-21 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	£140 - £170	£150 - £185	£215 - £260	£330 - £400	£585 - £700	£775 - £1,000
Limited procedures	£100 - £120	£125 - 150	£125 - £150	£190 - £230	£190 - £230	£190 - £230

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 15**.

Exhibit 15: estimates of the relative proportions of audit staff grades to be used for different types of grants work.

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

Complex grants include:

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



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