

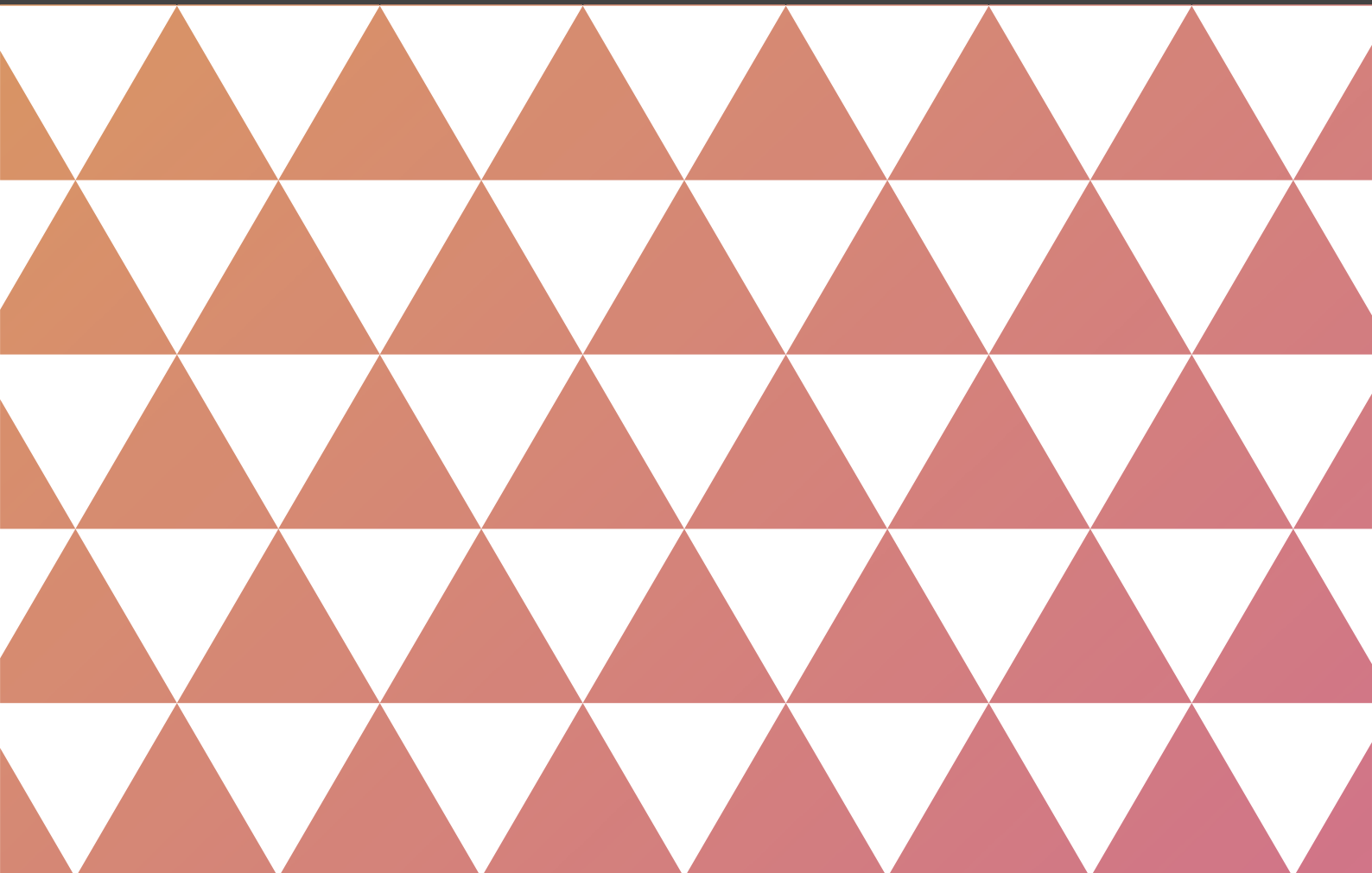
August 2017

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Consultation on Fees 2018-19



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



# Consultation on fees 2018-19, incorporating local government and data matching fee scales

## Overview

This consultation invites views and comments on the Wales Audit Office's proposals for fee rates and other aspects of the statutory fee regime for audit work.

Following the consultation, the Wales Audit Office will submit a Fee Scheme 2018-19 with its Estimate 2018-19, for consideration by the National Assembly's Finance Committee this autumn. The Fee Scheme is prepared under section 24 of the Public Audit (Wales) Act 2013. The proposals in this consultation are dependent on approval by the National Assembly for Wales of that Estimate and Fee Scheme.

## How to respond

Please respond by 22 September 2017.

Response forms can be sent to the following address:

Fee scales consultation  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Or completed electronically and sent by e-mail to  
[info@audit.wales](mailto:info@audit.wales)

If you require this publication in an alternative format and/or language please contact us using the details provided above or by telephone on 029 2032 0500.

## Publication of responses – confidentiality and data protection

Information provided in response to this consultation may be published or disclosed in accordance with the access to information legislation (chiefly the Freedom of Information Act 2000, but also the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want any information you provide to be treated as confidential, it would be helpful if you could explain to us why you regard the information you have provided as confidential.

If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Wales Audit Office.

Personal data will be processed in accordance with the Data Protection Act. Where such data falls within the scope of a request for information from another person, the provisions of the 1998 and 2000 Acts will need to be considered in the particular circumstances. While no situation can be prejudged, this is likely to mean that information concerning senior officials and public figures is likely to be disclosed while the names and addresses of ordinary members of the public are likely to be withheld.

© Wales Audit Office 2017

# Contents

Overview	2
How to respond	2
Publication of responses – confidentiality and data protection	3
Message from the Director of Finance, Wales Audit Office	5
Consultation	7
Consultation with all audited bodies on fee scales for the National Fraud Initiative (data matching)	7
Consultation on fee scales for work undertaken at local government bodies	8
Consultation on fees for work undertaken in the Health sector	10
Consultation with the Welsh Government, Welsh Government Sponsored Bodies and similar, statutory Commissioners and the Assembly Commission	11
Fee rates for audit work and fee charging	13
Fee refunds and excess charges	14
Appendices	
Appendix 1	15

# Message from the Director of Finance, Wales Audit Office



We recently consulted on a discussion paper covering the complicated fee regime here in Wales; my thanks to all who responded. This consultation document covers how we charge for the work undertaken by the Auditor General for Wales and the Wales Audit Office.

Legislation requires us to consult on the fee scales applicable to our work in local government and on the fees chargeable for the National Fraud Initiative. We go further by consulting on planned fees for all areas of audit work we undertake. We believe this is fairer to our stakeholders and provides for greater transparency when the National Assembly's Finance Committee considers our final Fee

Scheme and Estimate (the budget) for the year ahead.

As a reminder, we cannot charge more than the audit work costs us to undertake. Our hourly fee rates are derived from a simple calculation:

- the total costs of the WAO – which are predominantly staff salaries and on-costs – other than the cost of certain functions which are paid for directly from the Welsh Consolidated Fund;
- allocated over the total expected hours of audit work we undertake across the year.

The detail of our running costs is set out in our annual Estimate, which we publish in October every year and which is scrutinised by the National Assembly's Finance Committee. We are now working on finalising our Estimate for 2018-19 and would welcome your views on our proposals around audit fees for the year.

We fully understand the very challenging financial environment in which public services are operating and the pressures upon us, at the Wales Audit Office, to do all we can to minimise the cost of our audit work. Through reviewing our audit approaches, we anticipate being able to deliver a reduction in our fee scales over the next two years for a 'typical' audited body. There is the possibility that our hourly rates may need to increase, by no more than 1%, but this should be considered alongside changes in the skills' mix and number of hours to be charged.

We regularly review our fee rates, and contract out through a competitive procurement exercise 15% of our financial audit work. Increasingly, however, the legislation governing the extent of performance audit work required to be undertaken by UK audit offices has continued to diverge with devolution making direct comparisons difficult. Examples here include the Local Government (Wales) Measure 2009 and Well-being of Future Generations (Wales) Act 2015 (the WFG Act).

For audited bodies in the central government sector, we need to charge fees for the new work we are required to undertake in relation to the WFG Act. We know this is a sensitive matter for the sector; our Engagement Directors will be liaising with relevant bodies on completion of our WFG pilot work in order to estimate what the additional fees may be.

For bodies in the health and local government sectors, we anticipate being able to integrate WFG-related audit work into other areas of our audit work so that additional fees are unlikely to be charged.

The proposals set out in this consultation are dependent on the Finance Committee's consideration of the Estimate. We continue to work hard at containing our costs and we set ambitious savings efficiency targets annually. We also have strategic projects underway that will ensure our fitness for purpose as a cutting edge audit office in the years ahead, seeking to maximise the benefits of data analytics and digital working. You will be able to read more about that in our forthcoming Estimate for 2018-19.

As mentioned, we have delivered on our commitment to consult with audited bodies and other key stakeholders on the complexities of the fee regime governing the Wales Audit Office. That consultation closed on 28 July and our response will be published in the autumn and shared with you and the National Assembly's Finance Committee.

There is much in hand to ensure that the overall cost of public audit in Wales remains transparent, proportionate and justifiable in these challenging times. I encourage you to take this opportunity to let us know your views on the fee proposals set out on the following pages. As demonstrated from previous consultations, your views are carefully considered by the Board and genuinely help to inform its decisions.

Do please contact me directly if you should like to discuss.

**Steve O'Donoghue CPFA**

Director of Finance  
On behalf of the Board and Auditor General for Wales

# Consultation

The sections below explain how our fees affect your organisation, according to which sector you form part of.

## Consultation with all audited bodies on fee scales for the National Fraud Initiative (data matching)

### We invite your views on continuing participation in the National Fraud Initiative (NFI) on a nil-fee basis

- 1 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.
- 2 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. Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £30 million of fraud and overpayments in Wales and £1.3 billion across the UK.
- 3 Since April 2015, the National Assembly has met the costs of running the NFI through payment from the Welsh Consolidated Fund as approved through the Wales Audit Office's Estimate. This is intended to encourage participation of organisations on a voluntary basis and also simplifies arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in [Exhibit 1](#).

#### Exhibit 1: NFI fees

Type of body	Fee 2018-19 £
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

## Consultation on fee scales for work undertaken at local government bodies

- 4 For local government bodies, the Wales Audit Office is specifically required to consult on and prescribe:
  - scales of fees payable in respect of the audit of accounts of local government bodies in Wales; and
  - scales of fees in respect of audits, assessments and special inspections carried out under the Local Government (Wales) Measure 2009. We will be designing this work to concurrently discharge the requirements of the WFG Act so as not to increase the overall amount of performance audit work required.
- 5 These fee scales are provided in [Appendix 1](#). Fee scale minimum, median and maximum figures in the tables are rounded to the nearest £'000. In most cases we have reduced the median figures for 2018-19 through revising our audit approaches.
- 6 Annual audit work fee scales do not include work that goes beyond the general duty of the Auditor General (under section 17 of the Public Audit (Wales) Act 2004), such as reporting in the public interest, extraordinary audit, special inspections and work in relation to elector challenge and the prevention of unlawful expenditure. Such additional work is charged on an hourly basis. Fee rates apply additionally to work undertaken to certify claims and returns in respect of grants paid or subsidies made to local government bodies.
- 7 Auditors will use their professional judgement, informed by the Auditor General's Code of Audit Practice, relevant accounting and auditing standards, and guidance issued by the Auditor General to determine where a particular audited body lies on the prescribed fee scale for that type of body. The fees to be charged at individual bodies will depend on each body's circumstances. In order to properly reflect the cost of the audit, and so provide transparency, the fee must be sufficient (but no more than sufficient) to fund the work required taking into account considerations such as the governance environment, risk, financial and performance management arrangements, size, complexity and the body's track record on improvement.



- 8 Our fee rates for 2018-19 will be confirmed once our Estimate and draft Fee Scheme have been considered by the Finance Committee in the autumn. Initial indications are that the rates could increase, but by less than 1% in cash terms, which is equivalent to a real terms reduction of 5.6% since these rates were last changed in April 2014.
- 9 However, despite this increase in fee rates, our revised audit approaches mean that we do not anticipate increases in the overall fee charged to audited bodies, unless local circumstances necessitate it. Each body's Engagement Director will discuss with you the skills' mix for your audit and the factors influencing your overall fee.
- 10 We are planning for access to the National Fraud Initiative (NFI) to continue on a nil-fee basis in 2018-19.
- 11 Town and community councils in Wales are subject to a limited assurance audit regime. For 2018-19, we will continue to charge for such work on a time basis at our published fee rates.

**We would welcome your views on the above.**

## Consultation on fees for work undertaken in the Health sector

- 12 Annual audit work includes work undertaken in relation to the audit of accounts, alongside, where applicable, performance audit work.
- 13 In 2017-18, we have been working with a number of relevant bodies in developing our audit approach under the WFG Act, which places new duties on the Auditor General. We have done this work without charging any additional fee as we secured funding from the Welsh Consolidated Fund via our Estimate to meet the additional costs incurred. In future, we expect to design our 'structured assessment' work so that it concurrently discharges the requirements of this Act so as not to increase the overall amount of work required
- 14 Our fee rates for 2018-19 will be confirmed once our Estimate and draft Fee Scheme have been considered by the Finance Committee in the autumn. Initial indications are that the rates could increase by less than 1% in cash terms, which is equivalent to a real terms reduction of 5.6% since these rates were last changed in April 2014.
- 15 However, despite this increase in fee rates, our revised audit approaches mean that we do not anticipate any increases in the overall fee charged to audited bodies, unless local circumstances necessitate it. Each body's Engagement Director will discuss with you the skills mix for your audit and the factors influencing your overall fee.
- 16 We are planning for access to the NFI to continue on a nil-fee basis in 2018-19.

**We would welcome your views on the above.**

## Consultation with the Welsh Government, Welsh Government Sponsored Bodies and similar bodies, statutory Commissioners and the Assembly Commission

- 17 Annual audit work is undertaken in relation to the audit of accounts.
- 18 Our fee rates for 2018-19 will be confirmed once our Estimate and draft Fee Scheme have been considered by the Finance Committee in the autumn. Initial indications are that the rates could increase by less than 1% in cash terms, which is equivalent to a real terms reduction of 5.6% since these rates were last changed in April 2014.
- 19 However, despite this increase in fee rates, our revised audit approaches mean that we do not anticipate any increases in the overall fee charged to audited bodies, unless local circumstances necessitate it. Each body's Engagement Director will discuss with you the skills mix for your audit and the factors influencing your overall fee.
- 20 In 2017-18, we have been working with a number of relevant bodies in developing our audit approach under the WFG Act, which places new duties on the Auditor General. We have done this work without charging any additional fee, as we secured funding from the Welsh Consolidated Fund via our Estimate to meet the additional costs incurred.
- 21 For future years, we will, however, need to charge fees for this additional WFG work. Unlike other sectors, we cannot incorporate the work in to other aspects of our performance audit work, as we do not currently undertake such work for central government bodies. We know the charging of additional fees is a sensitive matter for the sector as you have previously told us that no additional funding is being provided in relation to the Act. Our current Fee Scheme and previous fee consultations have flagged this risk.
- 22 Our Engagement Directors will be liaising with relevant bodies on completion of our WFG pilot work in order to quantify what the additional fees may amount to. They will also discuss with you the skills mix for your audit and the factors influencing your overall fee.
- 23 Also, for central government sector bodies, we propose switching to the billing model we use for all other sectors, which is to charge fees in equal instalments over a 12-month period, with a final reconciling adjustment made on completion of the audit assignment. We would welcome your views on this.

- 24 We are planning for access to the NFI to continue on a nil-fee basis in 2018-19.
- 25 Advisory support to the central government bodies' Heads of Resources' Group and the Chairs of Audit Committees' Forum will continue to be provided on a nil-fee basis.

**We would welcome your views on the above**

## Fee rates for audit work and fee charging

- 26 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 published fee rates to the estimated team mix and hours of input required for the audit.
- 27 The fee rates apply to all audit work that the Wales Audit Office will charge for. In the case of work done under agreements predating 1 April 2014, rates are as agreed.
- 28 Our fee rates for 2018-19 will be confirmed once our Estimate and draft Fee Scheme have been considered by the Finance Committee in the autumn. Initial indications are that the rates could increase by less than 1% in cash terms, which is equivalent to a real terms reduction of 5.6% since these rates were last changed in April 2014.
- 29 **Exhibit 2** sets out the current fee rates used to calculate our audit fees.

### Exhibit 2: Current fee rates for audit staff

<b>Grade</b>	<b>Fee rate since April 2014 (£ per hour)</b>
Engagement director	162
Audit manager	111
Performance audit lead	93
Financial audit team leader	75
Performance auditor	65
Financial auditor	56
Graduate trainee	43

- 30 Where specialist support, legal, or other professional advice is required, this may be charged to audited bodies in addition to the cost of Wales Audit Office staff.
- 31 Auditors undertake grant certification work on behalf of the Auditor General, on a per-hour charging basis. 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 time taken.

### Fee refunds and excess charges

- 32 For most bodies we charge fees in equal instalments over a 12-month period, with a final reconciling adjustment made on completion of the audit assignment.
- 33 On completion of audit assignments, we assess the actual costs incurred in undertaking the assignment against the fee charged. We will let you know, during the audit process, if we experience difficulties which may result in an increased fee. 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 where permissible under legislation.

# Appendix 1

## Unitary authorities

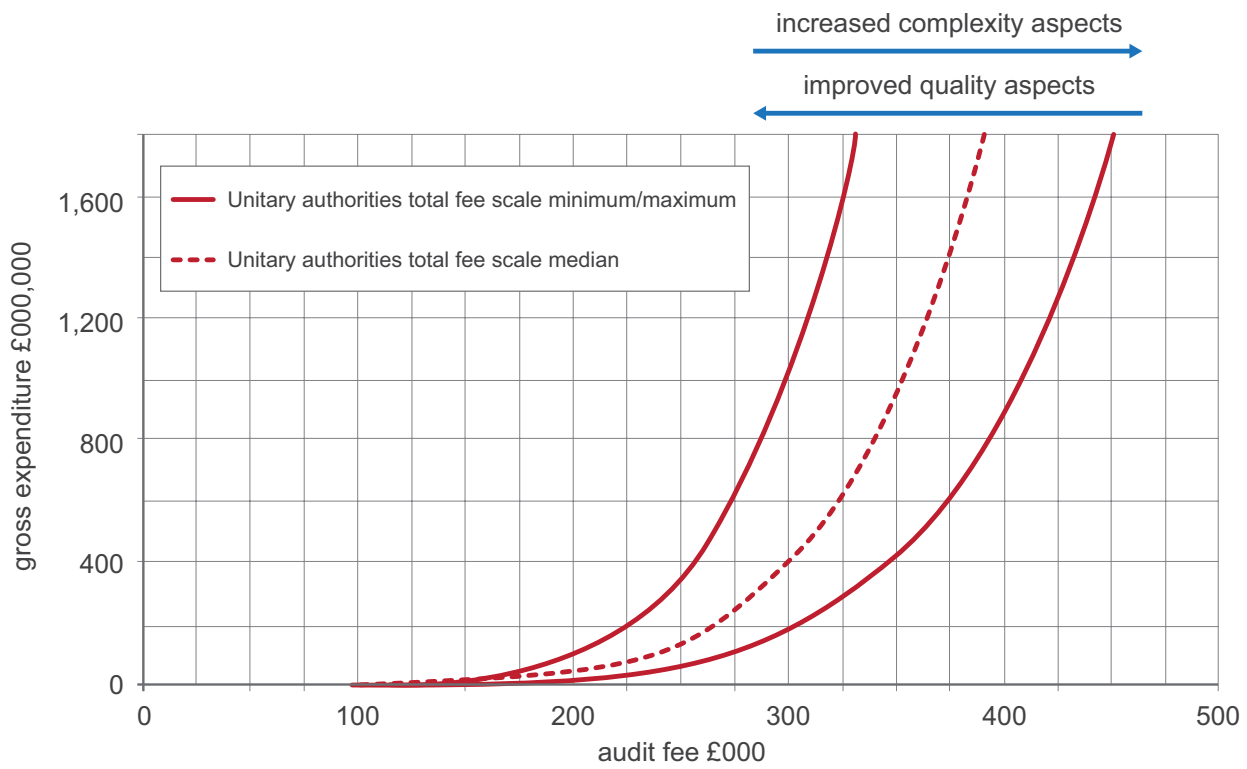
### Fee scale for audit of 2017-18 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
100	117	138	158	139
200	141	166	191	167
300	157	185	212	186
400	169	199	229	201
500	180	211	243	213
600	189	222	255	224
700	197	231	266	233
800	204	240	276	242
900	210	247	284	249
1,000	216	254	292	256
1,100	222	261	300	263
1,200	227	267	307	269

### Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All unitary authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	83	99	115	112

## Graphic of total fee scale for unitary authorities





## Fire and rescue authorities

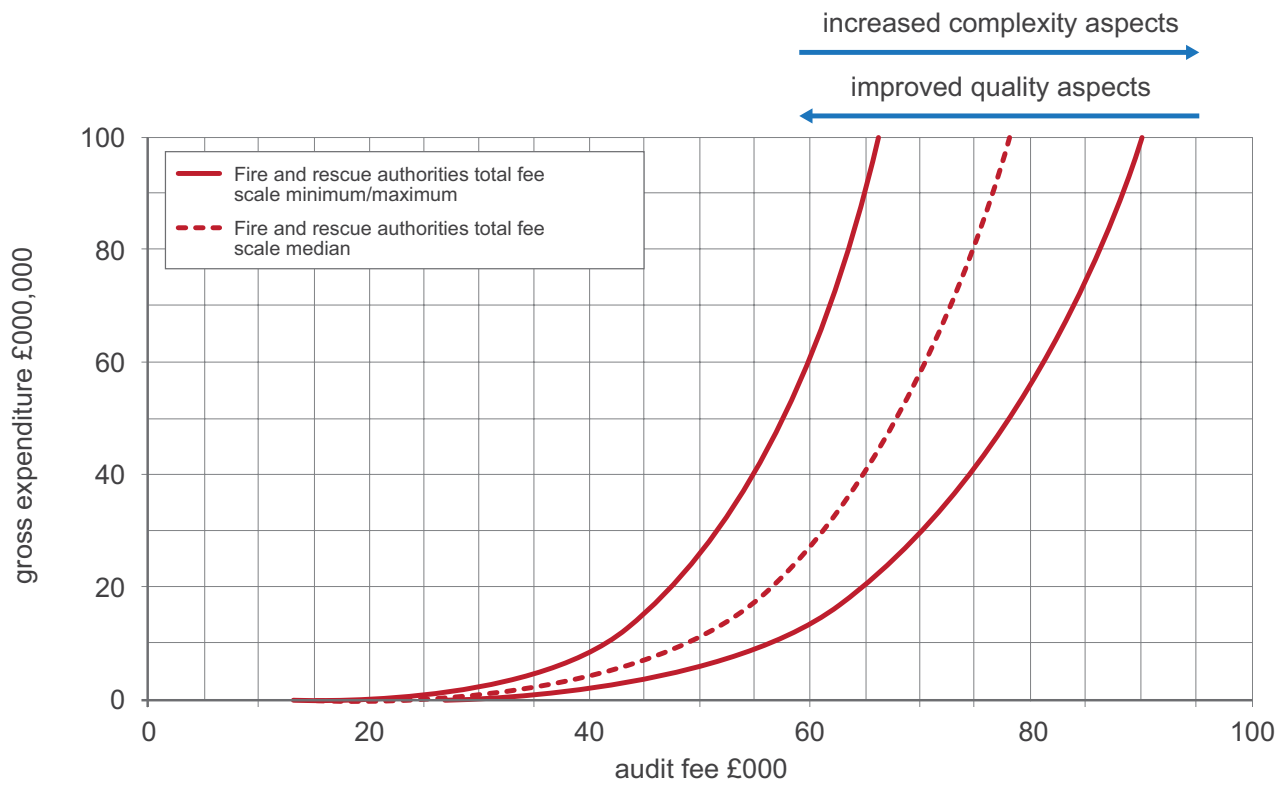
### Fee scale for audit of 2017-18 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
20	34	40	46	41
40	41	49	56	49
60	46	54	62	55
80	50	58	67	59
100	53	62	71	63

### Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All fire and rescue authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	16	19	16

## Graphic of total fee scale for fire and rescue authorities



## National park authorities

### Fee scale for audit of 2017-18 accounts

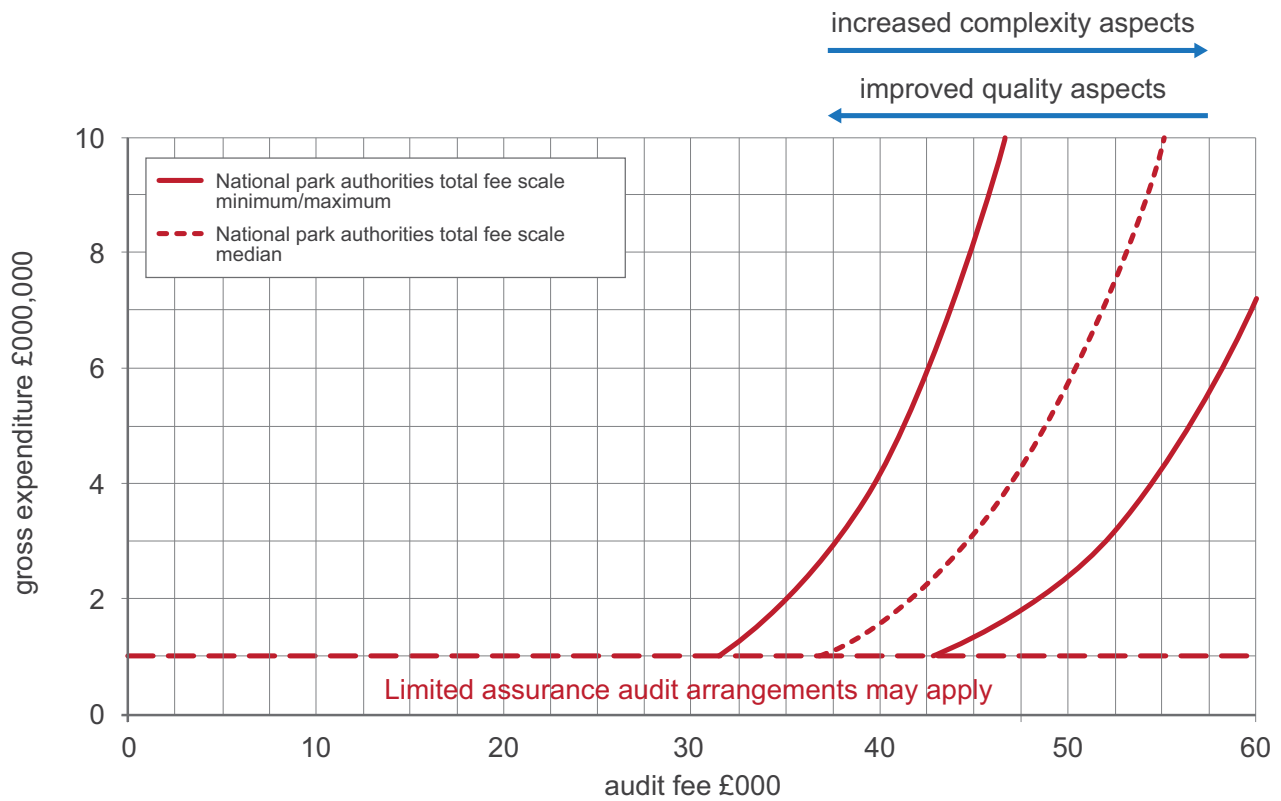
Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
2	21	25	29	25
4	26	30	35	30
6	29	34	39	34
8	31	36	42	37
10	33	38	44	39

### Fee scale for 2018-19 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All national park authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	17	19	17 <sup>1</sup>

<sup>1</sup> Actual fee charged to all Parks for 2017-18. This is not expected to change for 2018-19.

## Graphic of total fee scale for national park authorities



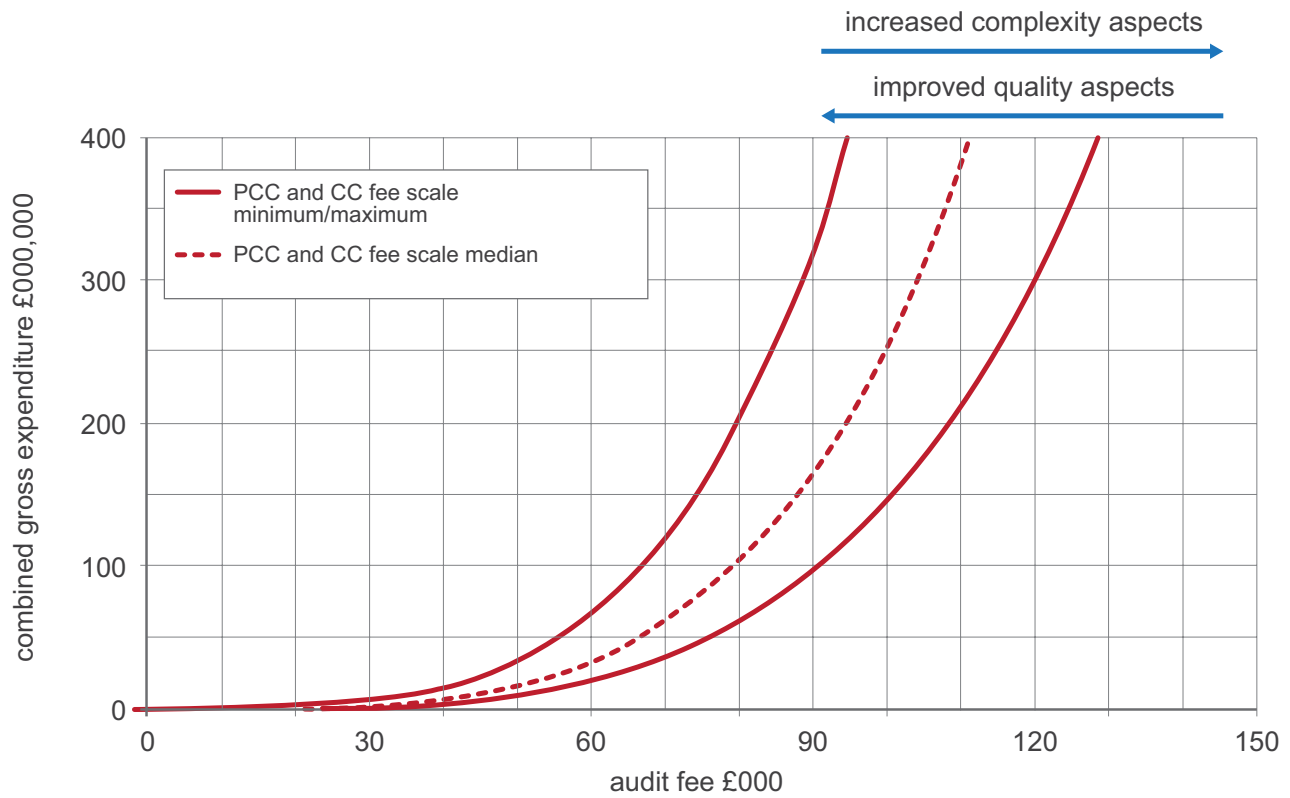
## Police and crime commissioners and chief constables

Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCC) and the Chief Constables (CC). 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.

### Total fee scale for 2017-18

Combined gross expenditure of PCC and CC £000,000	Combined fee range for PCC and CC £000			Previous year median £000
	Minimum	Median	Maximum	
50	56	66	76	70
100	67	79	91	82
150	74	87	100	91
200	79	94	108	97
250	84	99	114	103
300	88	104	120	107
350	91	108	124	112

## Graphic of total fee scale for police and crime commissioners and chief constables



## 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. Since 2016-17 we have charged for this work on a time basis rather than the historical basis of a fixed fee according to expenditure/income bands.

The fee rate charges are as set out in Exhibit 2.

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 ranges provided in the table below are for indicative purposes only.

### Estimated time charges for audit of 2017-18 accounts of town and community councils

<b>Annual income or expenditure</b>	<b>Indicative baseline charge</b>	<b>Indicative upper range fee</b>
£0 – £5,000	£140	£280
£5,001 – £100,000	£160	£320
£100,001 – £500,000	£200	£380
£500,001 – £2,500,000	£240	£460

## Local government pension funds

### Fee scale for audit of 2017-18 accounts

All pension funds	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	33	40	55	40

## Fee rates for other work in local government

The audit of other types of local government body, work which goes beyond the general duties of the Auditor General, and grant certification work

Other than those types of bodies for which fee scales have been prescribed, there are a small number of other types of local government body. For audits of these bodies, a zero-based approach to audit planning will still be applied, with resource requirements converted into fees directly based on the costs of delivering the work or by applying the fee rates as set out in [Exhibit 2](#).

For all types of government body to meet their 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). 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 particular issues in respect of the grant in question.

Estimates of the relative proportions of financial audit staff grades to be used for different types of grants work are provided below.



<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
Team leader	18 to 21	12 to 16
Team member/trainee	77 to 71	87 to 81

Complex grants include:

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

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

Rydym yn croesawu galwadau  
ffôn yn Gymraeg a Saesneg.

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)