

# **Fee Scheme**

# **2024-25**

January 2024

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 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 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.
- 6 As set out in our consultation on proposed fees in September 2023, 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. We have also had to make provision for recently announced increases in employer contributions for the Civil Service Pension Scheme.

- 7 Where possible we have mitigated inflationary pressures by identifying savings on non-pay budgets such as accommodation and travel with savings of over £2m over the next 5 years being identified.
- 8 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.
- 9 Taking these factors together means that we need to increase our fee rates by an average of 6.4% in 2024-25.
- 10 We went beyond the statutory fee consultation requirements and, in September 2023, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2024-25.
- 11 We received 18 responses which told us that:
  - audited bodies continue to welcome the provision of the NFI at no cost.
  - whilst acknowledging the inflationary pressures faced by Audit Wales bodies pointed out that they are facing similar pressures with no associated increase in funding.
  - they also commented that this increase is in addition to the more significant increase they faced this year in response to the new auditing standard ISA315.
  - whilst some bodies felt that the increase was reasonable some did question how fees were set at a local level and whether there would be any reduction in fees following the implementation of the new standard.
  - the town and community councils that responded felt that the increase was reasonable in light of inflationary pressures and the costs of other professional services.
- 12 The Board has reflected on these responses and has responded by maintaining the proposed increase at an average of 6.4% despite a new requirement to fund increased costs of the Civil Service Pension Scheme. We have done this by increasing our savings target from that assumed when the consultation was prepared.

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

- 13 We will work closely with audited bodies in an attempt to mitigate the impact of these increases on their audit fee.
- 14 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

# Fee rates and fee scales

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## Fee rates 2024-25

15 Our proposed fee rates for 2024-25 are set out in **Exhibit 1**.

### **Exhibit 1: proposed fee rates 2024-25**

<b>Grade</b>	<b>Rate (£ per hour) 2024-25</b>	<b>Rate (£ per hour) 2023-24</b>
Audit Director	179	168
Audit Manager	137	129
Audit Lead	112	106
Senior Auditor	91	85
Auditor	64	61
Graduate trainee	59	55
Apprentice	46	40

## Local Government Fee scales 2024-25

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2023-24 financial accounts, together with fee funded performance audit work to be undertaken in 2024-25, are provided in Appendix 3 in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.
- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.



- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

### **ISA315 implementation**

- 26 As set out in our Fee Scheme for 2023-24 our audits for accounts ended 31 March 2023 and subsequent years will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard has had significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit.
- 27 We increased our audit fees by an average of 10%, over and above our fee rates increases to accommodate the richer skills mix associated with these new demands.
- 28 We are still evaluating the impact of this new approach on 2022-23 audit work. This evaluation will not be complete until spring 2024. We will take this into account when setting fees for individual bodies but for the purposes of our fee scales, no change has been allowed for in 2024-25.

### **Local performance audit work**

- 29 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.
- 30 Our consultation exercise told us that audited bodies had no strong views on this proposal but that they did value on our local performance audit work.
- 31 The Welsh Government was however unable to support this proposal in time for our Estimate for 2024-25 and hence we have decided not to pursue the proposal further.
- 32 The fee scales for our local performance work at unitary authorities in this fee scheme now exclude this change.

# Charging of fees

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- 33 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.
- 34 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.
- 35 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 36 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 Local Government Fee Scales 2024-25**

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

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

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
  - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
  - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
  - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
  - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
  - (a) include different provision for different cases or classes of case; and
  - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The 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<sup>[2]</sup>.

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2 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 Audit Wales may and must charge fees

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

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

### 3 Local Government Fee Scales 2024-25

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

- 37 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 38 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.
- 39 Our last biennial report identified potential savings and over-payments of £6.5 million across Wales’s public services, increasing cumulative savings to £49.4 million since 1996.
- 40 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

#### Exhibit 2: NFI fees

	Fee 2024-25
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil



## Fee scales for Local Government bodies

### Unitary authorities

#### Exhibit 3: fee scale for the audit of 2023-24 accounts.

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	145	171	196	159
200	175	205	236	191
300	195	229	263	213
400	210	247	284	230
500	223	262	302	244
600	234	275	317	257
700	244	287	330	267
800	253	297	342	277
900	261	307	353	286
1,000	268	315	363	294
1,100	275	324	372	302
1,200	281	331	381	309

**Exhibit 4: fee scale for 2024-25 performance audit work.**

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	113	120	136	112

**Local Government Pension Funds****Exhibit 5: fee scale for audit of 2023-24 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	45	56	60	48

**Fire and Rescue Authorities****Exhibit 6: fee scale for audit of 2023-24 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	43	50	58	47
40	51	60	69	56
60	57	67	77	63
80	62	72	83	68
100	65	77	88	72

**Exhibit 7: fee scale for 2024-25 performance audit work**

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	17

**National Park Authorities****Exhibit 8: fee scale for audit of 2023-24 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	31	36	29
4	32	37	43	35
6	35	42	48	39
8	38	45	52	42
10	41	48	55	44

**Exhibit 9: fee scale for 2024-25 performance audit work**

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	24	27	22

## Police and Crime Commissioners

- 41 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 2023-24 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	73	84	96	78
100	86	100	114	93
150	95	110	126	102
200	102	118	135	110
250	108	125	143	116
300	113	131	149	122
350	117	136	155	126

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

- 42 Town and community councils in Wales are subject to a limited assurance audit regime.
- 43 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

- 44 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**.
- 45 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.
- 46 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 2023-24 accounts of town and community councils**

	<b>Band 1 (&lt;£10k)</b>	<b>Band 2 (&lt;£25k)</b>	<b>Band 3 (&lt;£50k)</b>	<b>Band 4 (&lt;£100k)</b>	<b>Band 5 (&lt;£500k)</b>	<b>Band 6 (&gt;£500k)</b>
Transaction audit	£160-£195	£181-£213	£245-£300	£379-£463	£676-£809	£899-£1,160
Limited procedures	£117-£138	£145-£172	£145-£172	£223-£266	£223-£266	£223-£266

## Fee rates for other work in local government

- 47 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 48 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.
- 49 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

**Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.**

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

50 Complex grants include:

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





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Rydym yn croesawu gohebiaeth a  
galwadau ffôn yn Gymraeg a Saesneg.