



Reference: Finance Committee

Date issued: 4 December 2014

Wales Audit Office Fee Scheme 2015

1. Section 24 of the Public Audit (Wales) Act 2013 (the Act) requires that the Wales Audit Office prepares a fee scheme, reviews it at least annually and lays it before the National Assembly. The scheme provides the basis on which the Wales Audit Office charges fees. The Scheme must be approved by the Assembly's Finance Committee. We laid our Fee Scheme for 2015 on 4 December 2014.
2. For the first time, we included the proposed fee rates and fee scales in our Estimate for 2015-16, considered by the Finance Committee on 6 November. This new approach reflected the Board's determination to further enhance transparency and to demonstrate the direct relationship between our cost base and its resultant fee rate impact. The Board welcomes that the Committee was content with our Estimate, as laid.
3. We are required to consult on local government fee scales and fee scales for the National Fraud Initiative. The consultations ran during September 2014 and provided the following summarised responses:
 - Welcomed freezing of fee rates and fee scales
 - Acknowledged the work done by Wales Audit Office in managing costs and efficiencies
 - Urged greater transparency with fee breakdowns
 - Urged audit proportionality to risk and size of organisation
 - Supported switching National Fraud Initiative participation costs to the Welsh Consolidated Fund
 - Urged continued efficiency and innovation in service delivery in order to bring the cost of audit down in future years.
4. The Board welcomed the responses, which were found to be reflective of the pattern of feedback we receive from stakeholders. The Board is responding to the feedback through the following mechanisms:
 - a. Fee transparency and simplification

Our Engagement Directors will discuss with audited bodies the make-up of their fee in terms of the teams deployed on audits.

From 2015-16, our costs for work on the National Fraud Initiative (NFI) will be recovered through payment from the Welsh Consolidated Fund rather than through fees charged to participating bodies. This both simplifies the charging regime and is intended to encourage wider voluntary participation in the initiative.

b. Fee rates, cost efficiency and effectiveness

The Board's Estimate set out clear commitments to continue the drive on cost-efficiency and service effectiveness, encompassing:

- A real-terms reduction in fee rates of 1.5 per cent in 2015-16;
- To meet some £800,000 of cost pressures in relation to staff pay and pensions, VAT and inflation, through internal savings and efficiencies so as not to affect fees;
- To establish an Efficiency and Effectiveness Programme to continue to deliver longer-term savings in addition to the cumulative 20 per cent real-terms reduction in our costs since 2009-10.

c. Audit proportionality

As the Auditor General said to the Finance Committee on 6 November¹, "...I will continue to say that I do find that the Local Government (Wales) Measure 2009 is too much of a one-size-fits-all requirement. If that were lifted we could get to a much more tailored situation regarding each particular local authority."

Our evidence to the Committee also gave examples of where the Wales Audit Office works with other bodies, such as the Commissioners, health inspectors and regulators to reduce the overall audit and inspection burden on public bodies.

5. The Board will continue to engage with stakeholders to convey the strategic direction of the Wales Audit Office and our progress in achieving it.

Recommendation

6. **That the Committee approves the Fee Scheme 2015, noting that it reflects the draft fee scales included in the Estimate 2015-16.**

¹ Finance Committee Transcript, 6 November 2014, line [69]



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Fee Scheme 2015

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 National Assembly under section 24(4)(c) of the Public Audit (Wales) Act 2013.

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Introduction

- 1 This Fee Scheme has been prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013 (the Act) ([Appendix 1](#)). The Fee Scheme, following approval by the National Assembly's Finance Committee, provides the basis on which the Wales Audit Office charges fees.
- 2 For the first time, the Wales Audit Office Estimate (for 2015-16), approved by the Finance Committee in November 2014, included the proposed fee scales that are now set out in this scheme. This new approach reflects the Wales Audit Office Board's determination to further enhance transparency and to demonstrate the direct relationship between our cost base and its resultant fee rate impact.
- 3 The Board has listened carefully to stakeholder feedback in relation to our cost-efficiency agenda and the fee rates we set. In seeking the National Assembly's support for our Estimate for 2015-16, we proposed in the Estimate:
 - A real-terms reduction in fee rates of 1.5 per cent – reflecting a freeze in cash terms.
 - To meet some £800,000 of cost pressures in relation to staff pay and pensions, VAT and inflation, through internal savings and efficiencies so as not to affect fees.
 - To establish an Efficiency and Effectiveness Programme to continue to deliver longer-term savings in addition to the cumulative 20 per cent real-terms reduction in our costs since 2009-10.
 - From 2015-16, to fund National Fraud Initiative (NFI) work from our charge on the Welsh Consolidated Fund rather than through fees charged to participating bodies. Through this, we seek to encourage wider voluntary participation coupled with simplification for mandatory participants.
- 4 We will further enhance transparency of our fee charges by discussing with audited bodies the make-up of the fee in terms of the teams deployed on audits.
- 5 This Fee Scheme reflects the approved Estimate and in broad terms sets out:
 - The enactments under which the Wales Audit Office charges audit fees.
 - The arrangements for setting those fees, which comprise either:
 - fee scales that set out fee ranges for particular areas of audit work; or
 - fee rates for work not covered by fee scales.
- 6 Broadly, 73 per cent of our expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government to support improvement assessment work. The remaining 27 per cent is provided directly from the Welsh Consolidated Fund through vote of the National Assembly. Further information about our expenditure and funding is contained in [annual estimates of income and expenditure](#) which are laid before the National Assembly.

List of enactments

- 7 **Appendix 2** sets out the enactments under which the Wales Audit Office may and must charge fees.

Fee rates and fee scales

- 8 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- 9 We have calculated fee scales by applying the fee rates to estimated audit input for a typical audited body in the sectors shown ([Appendix 3](#)). This is on the basis of recovering no more than the full cost of the audit work undertaken. Fees for an individual audited body will depend on local circumstances but would ordinarily be expected to fall within the fee scales (where applicable). Our engagement directors will discuss individual fees and their make-up with each audited body.
- 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 Evidently, our fee-charging arrangements are complex, cumbersome and expensive to administer and are regarded by some as no more than circulating funds within the public sector. Our stakeholders tell us that they would like us to find a simpler model for the recovery of public audit costs, and we will further explore alternative mechanisms in discussion with the National Assembly's Finance Committee. The Board welcomes the committee's recommendation¹ that the Public Audit (Wales) Act be amended to clarify the audit fee charging requirements and in the meantime the Wales Audit Office comes to a mutual understanding with organisations about what is required in terms of charging, subject to any relevant legal advice.
- 12 In September 2014, we undertook the statutory consultation on our fee scales for 2015-16, on the basis of the Board's commitment not to increase fee rates. Consultation responses told us that:
 - the freezing of fee rates is very much welcomed in the context of public sector funding pressures;
 - the work done by the Wales Audit Office in managing costs and efficiencies is acknowledged;
 - there is a demand for greater transparency with fee charges;
 - greater proportionality to risk and size of the audited body is wanted; and
 - continued efficiency and innovation in service delivery in order to bring the cost of audit down in future years is expected.

¹ Finance Committee Report, November 2014 on the Wales Audit Office Estimate 2015-16.

- 13 The Board welcomes this feedback and responds to it through this Fee Scheme and our business planning framework.
- 14 **Exhibit 1** sets out the hourly fee rates for audit staff which reflect direct costs and a due proportion of overhead costs. The costing model has been audited by the external auditors of the Wales Audit Office.

Exhibit 1: Fee rates for audit staff

Grade	Fee rate (£ per hour)
Engagement director/lead	162
Audit manager	111
Performance audit lead	93
Financial audit team leader	75
Performance auditor	65
Financial auditor	56
Audit trainees	45

- 15 Fee scales for the audit of 2014-15 financial accounts and 2015-16 improvement audits and 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.
- 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 The Wales Audit Office is required to prescribe fee scales for:
 - work relating to the audit of local government bodies;
 - work under the Local Government (Wales) Measure 2009; and
 - data-matching work (NFI).

- 18 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.
- 19 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.
- 20 The fee rates apply to all audit work that the Wales Audit Office will charge for, except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done by agreements prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears to the Wales Audit Office that the work involved in a particular audit differs substantially from that originally envisaged, the Wales Audit Office may charge a fee which differs from that originally notified.
- 21 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. To meet their 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.
- 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 Wales Audit Office staff.
- 23 Where funding is provided through the Estimate, the Wales Audit Office may subsidise the fees charged to audited bodies on a transitional basis under the approval given.

Charging of fees

- 24 Charging arrangements will be agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 25 Audited bodies are expected to pay Wales Audit Office's invoices within their performance target for creditor payments, usually 10 days in the public sector. We may charge for the administrative costs incurred in pursuing late payments.
- 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 cost 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.

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; and
 - 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 WAO 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.
- 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 National Assembly.
- 8 The WAO must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

List of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Statutory 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	Section 23(3)(a)-(c) Public Audit (Wales) Act 2013
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 a local government body	Section 37(8) of the Public Audit (Wales) Act 2004
Data matching exercises	Section 64F(A1) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for this work
The Wales Audit Office must charge fees for the following activities	
Work under the Local Government (Wales) Measure 2009	Section 27 of the Local Government (Wales) Measure 2009 A fee scale must be prescribed for this work
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998	Section 23(4)(b) Public Audit (Wales) Act 2013
Auditing the accounts of a local government body and undertaking studies by agreement with a local government body	Section 20(A1)(a)-(b) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for the audit of the accounts of local government bodies
Other fee charging provisions	
Benefit administration studies for the Secretary of State. The amount of the fee must be a reasonable amount agreed between the Secretary of State and the Wales Audit Office.	Section 45 of the Public Audit (Wales) Act 2004
Assisting Her Majesty's Chief Inspector of Education and Training in Wales	Section 41A of the Education Act 1997

Wales Audit Office fee scales from 1 April 2015

Unitary authorities

Fee scale for audit of accounts for unitary authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
100	119	140	160	140
200	143	168	193	168
300	159	187	215	187
400	172	202	232	202
500	183	215	246	215
600	192	225	259	225
700	200	235	269	235
800	207	243	279	243
900	213	251	288	251
1,000	220	258	296	258
1,100	225	265	304	265
1,200	230	271	311	271

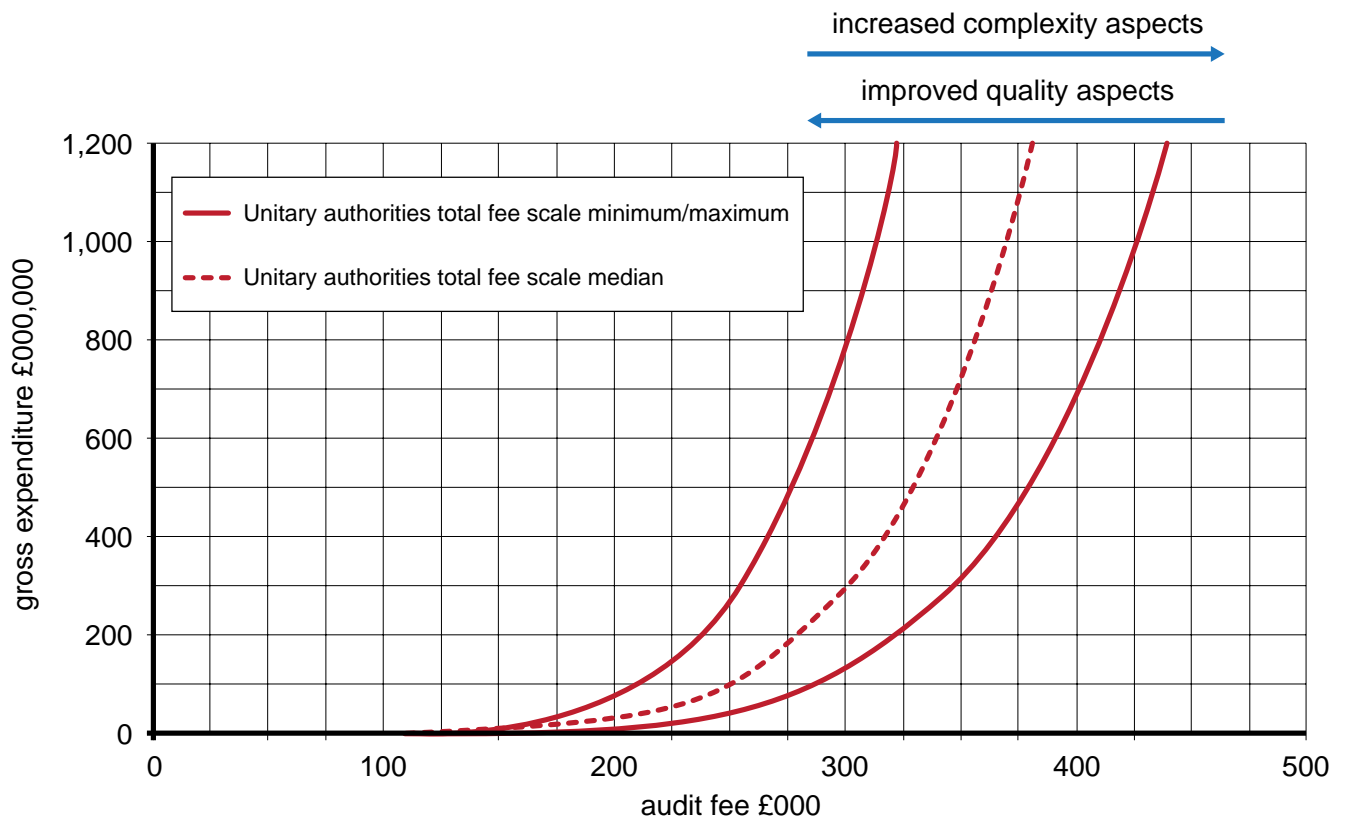
Fee scale for improvement audits and assessments for unitary authorities

All unitary authorities	Range £000			Previous year median £000
	Minimum	Median	Maximum	
	94	112	130	117

Total fee scale for unitary authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
100	213	252	291	257
200	237	280	323	285
300	253	299	345	304
400	266	314	362	319
500	276	327	377	331
600	285	337	389	342
700	293	347	400	352
800	301	355	410	360
900	307	363	419	368
1,000	313	370	427	375
1,100	319	377	434	382
1,200	324	383	442	388

Graphic of total fee scale for unitary authorities



Fire and rescue authorities

Fee scale for audit of accounts for fire and rescue authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
20	35	41	47	41
40	42	49	57	49
60	47	55	63	55
80	50	59	68	59
100	53	63	72	63

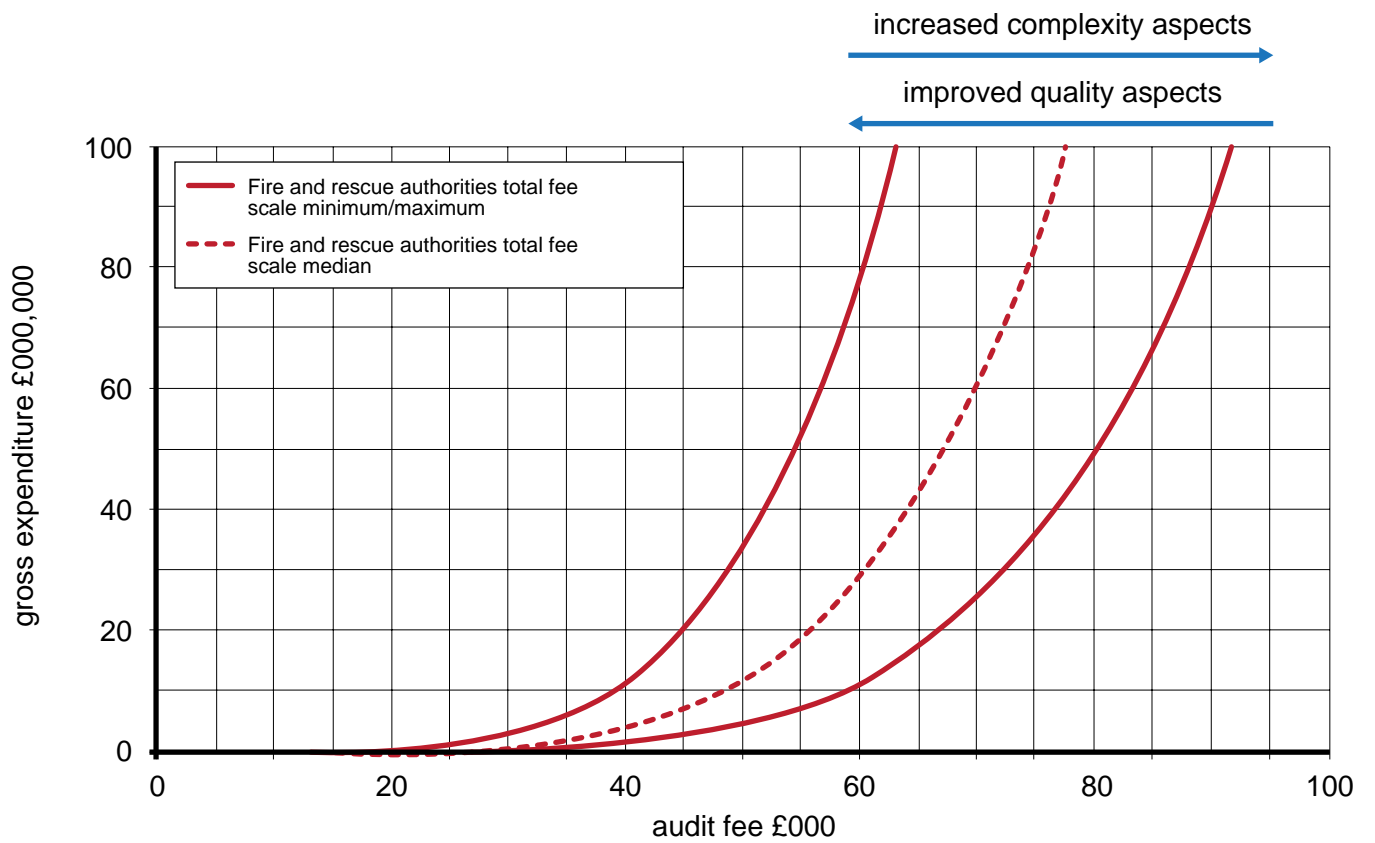
Fee scale for improvement audits and assessments for fire and rescue authorities

All fire and rescue authorities	Range £000			Previous year median £000
	Minimum	Median	Maximum	
	10	15	20	16

Total fee scale for fire and rescue authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
20	45	56	67	57
40	52	64	77	65
60	57	70	83	71
80	60	74	88	75
100	63	78	92	79

Graphic of total fee scale for fire and rescue authorities



National park authorities

Fee scale for audit of accounts for national park authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
2	22	25	29	25
4	26	31	35	31
6	29	34	39	34
8	31	37	42	37
10	33	39	45	39

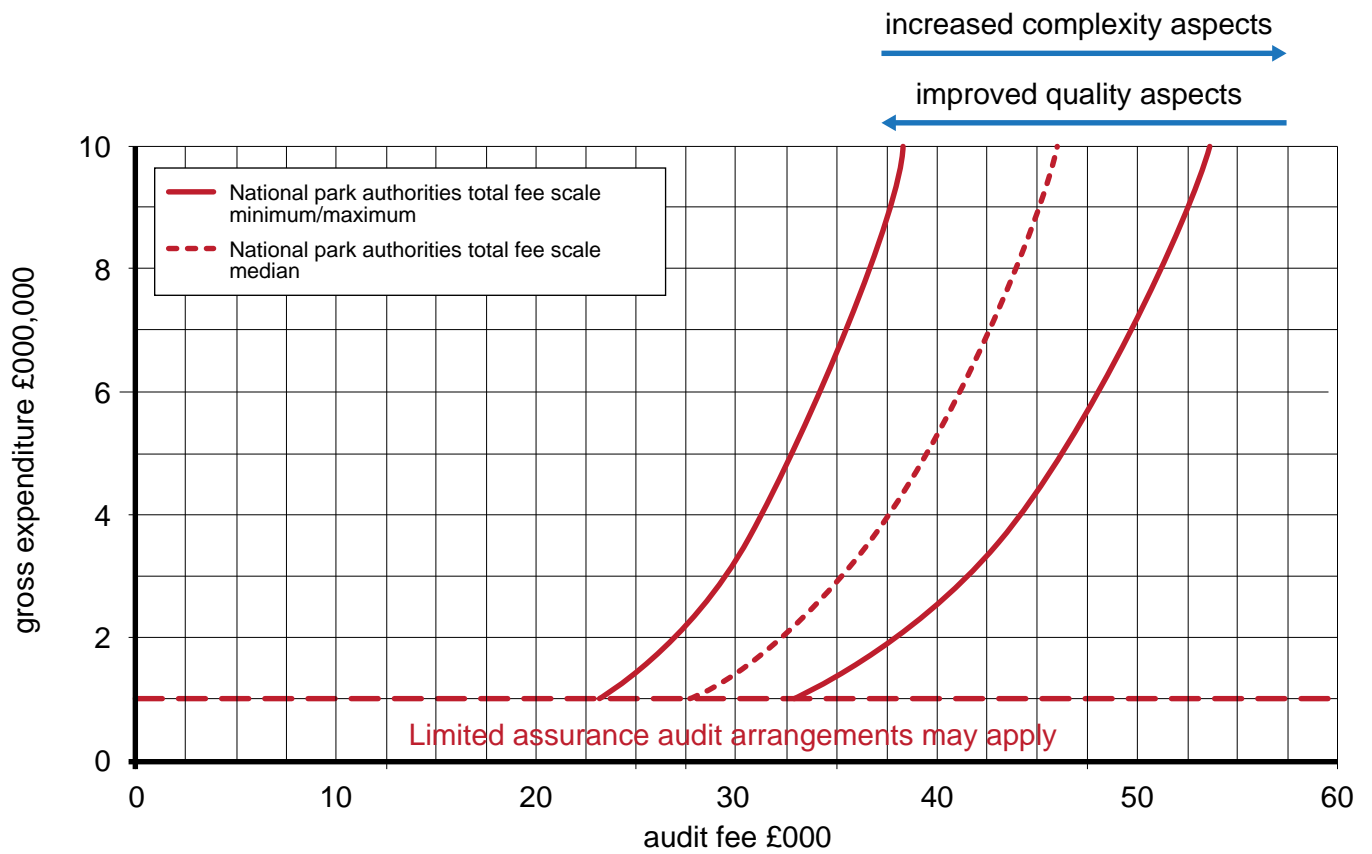
Fee scale for improvement audits and assessments for national park authorities

All national park authorities	Range £000			Previous year median £000
	Minimum	Median	Maximum	
	5	7	9	7

Total fee scale for national park authorities

Gross expenditure £000,000	Range £000			Previous year median £000
	Minimum	Median	Maximum	
2	27	32	38	33
4	31	38	44	38
6	34	41	48	41
8	36	44	51	44
10	39	46	54	46

Graphic of total fee scale for national park authorities



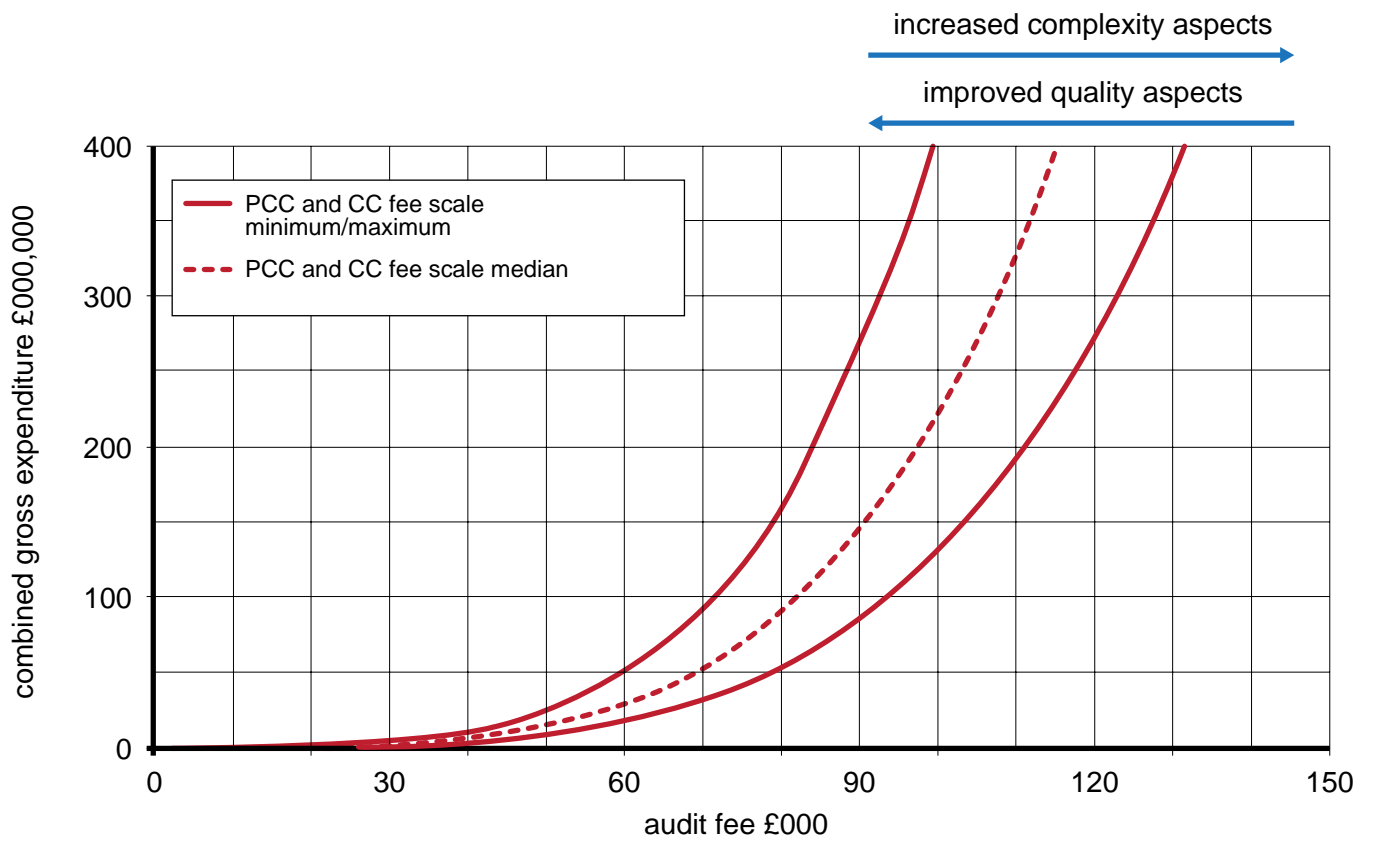
Police and crime commissioners and chief constables

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

Fee scale for audit of accounts for police and crime commissioners and chief constables

Combined gross expenditure of PCC and CC £000,000	Combined fee range for PCC and CC £000			
	Minimum	Median	Maximum	Previous year median £000
50	61	70	79	76
100	71	83	94	89
150	79	91	104	97
200	84	98	111	104
250	89	103	118	109
300	93	108	123	114
350	96	112	128	118

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



Town and community councils

Town and community councils with income or expenditure up to £1 million are subject to a limited assurance audit regime. Fees for these audits vary according to annual turnover.

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, and additional fees will be charged commensurate with the additional work involved.

Fee scale for audit of accounts of town and community councils with income or expenditure up to £1,000,000

Annual income or expenditure (fees are payable on whichever is the higher each year)	Type of audit	Proposed fee	Fee charged in previous year
£Nil – £99	Basic	£Nil	£30
£100 – £1,000	Basic	£30	£30
£1,001 – £5,000	Basic	£80	£80
£5,001 – £10,000	Basic	£175	£175
£10,001 – £30,000	Basic	£205	£205
£30,001 – £60,000	Basic	£295	£295
£60,001 – £100,000	Basic	£350	£350
£100,001 – £200,000	Basic	£415	£415
£200,001 – £300,000	Intermediate	£650	£650
£300,001 – £400,000	Intermediate	£650	£650
£400,001 – £500,000	Intermediate	£650	£650
£500,001 – £750,000	Intermediate	£920	£920
£750,001 – £1,000,000	Intermediate	£920	£920

Local government pension funds

Fee scale for audit of accounts for local government pension funds

All pension funds	Range £000			Previous year median £000
	Minimum	Median	Maximum	
	30	40	50	40

The audit of other types of local government body

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.

Estimated staff mixes for grant certification work

Grade of staff	Complex grants staff mix %	All other grants staff mix %
Engagement lead	1 to 2	0 to 1
Audit manager	4 to 6	1 to 2
Team leader	18 to 21	12 to 16
Auditor/trainee	77 to 71	87 to 81

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- EUR01 Structural funds
- HOU03 HRA subsidy (non-stock transfer authorities)
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return

National Fraud Initiative

In order to support Welsh public bodies in combating fraud, the Auditor General conducts the NFI in Wales on a biennial basis. The NFI is also run in England, Scotland and Northern Ireland. 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 £26 million of fraud and overpayments in Wales and £1.17 billion across the UK.

The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.

The statutory fees for mandatory participants, are shown below. The fee for the NFI exercise is set based on the number and range of core datasets applicable.

Type of body	Fee 2015-16 £	Fee 2014-15 £	Previous fee (2012-13) £
Unitary authority	Nil	3,650	3,650
PCC and CC	Nil	1,000	1,000
Fire and rescue authority	Nil	1,000	1,000
NHS trust	Nil	1,000	1,000
Local health board	Nil	1,000	3,650
Other – voluntary	Nil	Subject to agreement with each body	Subject to agreement with each body

From 2015-16, a £nil fee scale will be set for all participating bodies and the Wales Audit Office will instead recover costs through payment from the Welsh Consolidated Fund as approved through the Estimate. The reasoning for this is to encourage greater voluntary participation of non-mandated organisations, in line with the aspirations of the Public Accounts Committee. In tandem and in line with the Board's aspirations for a simplified funding regime, a £nil fee scale will be set for mandatory participants too. This will help avoid any confusion and provide a clear message in terms of the costs of participation in the NFI. In totality, NFI work will no longer be funded through fee charges.

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