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Dear Colleague

**Local Government Audit and Inspection Fees 2009-10
Including fee scales for the Audit and Inspection of Housing, Criminal Justice,
Fire and Rescue Services, National Park Authorities, and Pension Funds**

The confluence of three distinct issues has dominated my thinking in the formulation of the 2009-10 local government fee scales. Those issues are the economic climate, the local government measure (the Measure), and changes to accounting and auditing requirements ie, the introduction of International Financial Reporting Standards across the UK public sector and changes to professional auditing standards.

As is now widely understood, I am required to prescribe a 'scale of fees' as part of my regulation of the external audit of local government bodies in Wales. This letter discharges my responsibility to consult on my proposals. As usual, I am writing to chief executives of all local government bodies in Wales in addition to associations of local authorities and bodies of accountants.

The fee scales proposed in this letter are necessary to facilitate the funding needed to properly resource the work required to deliver the Wales Audit Office's mission: to promote improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money. I am not promulgating a blanket percentage increase again this year: your body's fee will be bespoke, considering the factors set out in this letter. The fee scales are contained in the appendix to this letter.

I am very aware of the difficulties that the economic climate is causing for the funding of, and demands placed upon, services. In response, I am proposing a number of measures that will benefit all local government bodies by mitigating fee inflation. Changes to my work as a result of the Measure are being considered, developed and will be consulted upon. I am not yet able to determine the exact fee implications of these changes, but my working hypothesis is that fees should not increase overall as a result of the Measure. Changes to accounting and auditing requirements cannot be ignored; Appointed Auditors must consider what work is required as a result of developments in accounting and public audit requirements in the UK which are outside my control. I am requiring auditors to absorb certain increases, but that is not practical across the range of change now upon us.

I must emphasise that the actions I am taking to mitigating fee inflation is not the same as saying that fees will not change at individual bodies. These matters are referred to below and expanded on in the appendix to this letter.

A fee scale is one of my regulatory tools, and has two purposes:

- to provide a framework within which Appointed Auditors, and Wales Audit Office staff acting on my behalf, can discuss and agree fees with local government bodies; and
- to enable me to identify and challenge fees that appear to be either too high or too low, to enable auditors to properly discharge their responsibilities.

All fee scales take account of the Wales Audit Office's efficiency savings. Additionally, this year I am not proposing an increase to the top of the unitary authority fee scale. Other changes, with the exception of pension funds which are discussed below, are set at or around 1.75 per cent. However, a change in the fee scale does not automatically mean that an individual body's fee will change by that percentage. The agreed fee must be sufficient to fund the work required considering local circumstances such as size, the governance environment, risk, complexity, financial and performance management arrangements, and track record on improvement. It must also take into account statutory and other requirements. The detailed work programme and consequent fees will be agreed with the body by the Appointed Auditor, or Wales Audit Office staff acting on my behalf. My prescribed fee scales should guide this agreement.

When prescribing fee scales I must ensure that the fees generated from local government bodies enable the Wales Audit Office to maintain financial balance in its local government work. I also take account of the expenses I expect to incur in relation to value for money studies of services and studies on the impact of statutory provisions on value for money of local government functions, which is distinct from the work undertaken as part of the Measure.

I continue to remain very aware of the cost pressures on audited bodies as I seek to improve the value for money of local government bodies and the efficacy of the audit and inspection process. However, I also have a statutory responsibility to maintain and regulate the public sector audit and inspection market in Wales. I remain committed to maintaining the difficult balance of prescribing fee scales that provide value for money for the people of Wales with sufficient resources for Appointed Auditors to deliver against exacting national and international auditing standards.

My proposed fee scale continues last year's efforts to encourage a greater focus on improvement through a bespoke assessment of a body's circumstances and the amount and cost of work required in those circumstances.

As in previous years, Appointed Auditors, Wales Audit Office staff acting on my behalf, and bodies should agree a 'fee envelope' for the year based on the work necessary for the auditor to discharge his/her responsibilities, and for inspection/Measure and other work required at the body to be undertaken. The steps to follow are set out in the appendix to this letter. I have also set out below the impact on the work volume and cost that I expect to arise from specific factors, and which must be considered when planning work and agreeing fees.

I will review all fees that are proposed to fall outside of the scale I prescribe. I will also review any fee proposals that vary by more than +/-10 per cent to the previous year. This will constrain the potential for excessive or inadequate fees to arise.

In the remainder of this letter I discuss the factors that will impact on the work required at local government bodies in Wales. I have set out my expectations for how Appointed Auditors and Wales Audit Office staff acting on my behalf should take these factors into account when agreeing fees.

I am continuing my voluntary adoption by the Wales Audit Office of the Assembly Government's efficiency agenda, which the Wales Audit Office has exceeded in practice for the last two years, and will again be factored via the fee scales into the fee setting process. For the second year I am not including remuneration inflation as a factor in setting the fee scales.

The introduction of International Financial Reporting Standards will have a significant impact on workloads and fees. The Government announced in the 2007 Budget that public sector accounts in the United Kingdom will in future be compiled on the basis of International Financial Reporting Standards. Although the Local Authority Statement of Recommended Practice already incorporates International Financial Reporting Standards-based Standards relating to financial instruments, International Financial Reporting Standards will have a significant impact on the accounts of local government bodies. I flagged this issue in previous years' letters, and over the last six months, the detailed arrangements for introducing this change have become clearer.

In broad terms, the introduction of International Financial Reporting Standards will impact on local government accounting as follows:

- Statement of Recommended Practice 2009 (2009-10) introduces a requirement for the recognition of PFI/PPP schemes to be based upon the principles in IFRIC 12, rather than UK GAAP; and
- in 2010-11 the Statement of Recommended Practice will be replaced by an International Financial Reporting Standards-based Code of Practice on Local Authority Accounting (Code).

Currently most PFI/PPP schemes are 'off' balance sheet for local government bodies. However, it is generally accepted that applying the principles of IFRIC 12 will result in most PFI/PPP schemes being 'on' balance sheet. Recognition of these schemes will result in complex prior period adjustments, extending back to the inception of the scheme, being required.

The implementation of International Financial Reporting Standards is a fundamental change and not simply a presentational matter. The introduction of International Financial Reporting Standards-based Code in 2010-11 and the resulting need for the restatement of 2009-10 comparative figures will have a significant impact on the workloads of both the compilers and the auditors of the accounts of local government bodies. The more onerous International Financial Reporting Standards accounting and disclosure requirements will also impact on workloads in future years. These issues are expanded upon in the appendix to this letter.

The introduction of significantly revised auditing standards in 2010-11 will also impact on audit workload. Aside from the introduction of International Financial Reporting Standards audit workload will increase as a result of changes to professional auditing standards. Since October 2005, the International Auditing and Assurance Standards Board (IAASB) has been undertaking a project to re-draft and 'clarify' the ISAs.

Again, this is not simply a presentational issue. The Clarity ISAs include over 50 per cent more mandatory requirements upon auditors than their predecessors, although some of these requirements are already reflected in auditors' methodologies. The Clarity ISAs, will be adopted in the UK by the Auditing Practices Board (APB), will have effect in 2010-11 and subsequent audits.

The APB has analysed the overall impact of implementing the Clarity ISAs for private sector audit firms. The APB's analysis recognised that the impact of the Clarity ISAs is likely to vary significantly from one audit to another, but found that recurring costs increased from between 9.5 per cent for small audits to two per cent for larger audits. In addition, smaller audits incurred non-recurring implementation costs of nearly four per cent. The Wales Audit Office will be working over the coming year with other members of the Public Audit Forum to analyse the likely impact of the Clarity ISAs for public sector audits and also to identify ways to mitigate potential cost increases arising from implementation of the new standards. Further details of the impacts of these changes are set out in the appendix to this letter.

The Local Government Measure will change local government improvement work. I will consult separately, later this year, on his proposals for developing the new arrangements.

I wrote to all unitary council Chief Executives on 18 May 2009 to describe the approach I am taking to implementing the Measure. Responses to that initial consultation are being evaluated and will be responded to alongside further information and consultations as plans become further developed.

In broad terms, other than work on the accounts, the National Fraud Initiative and studies under Chapter 2 of Part 2 of the Public Audit (Wales) Act 2004, for unitary authorities, fire and rescue authorities and national parks authorities local value for money audit and inspection work will be largely replaced by an Improvement Assessment, which will start to come into effect from April 2010. The Improvement Assessment will comprise two large pieces of work in each local authority in Wales. There will be a forward facing review of the likelihood that the authority will comply with the duty to make arrangements to secure continuous improvement – the Corporate Assessment, and a backward-looking review of performance, tracing improvement over time – the Performance Assessment. In local government, non-accounts work, other than the National Fraud Initiative and studies delivered under Chapter 2 of Part 2 of the 2004 Act, will be accommodated within the new Improvement Assessment.

The Assembly Government has decided to phase implementation of the Measure, and we are currently examining the implications of this for the phasing in of the Corporate and Performance assessments and reporting arrangements. It is likely that the first review of the preparedness of councils to secure continuous improvement will look at their objectives for the year from 1 April 2010. Joint Risk Assessment work will be redirected into the Improvement Assessment, and I will use my inspection powers if assessments reveal problems of a scale or nature that require this type of intervention. As this year's fee scale covers this transition period it refers to studies and inspection/assessment work.

The role of the Relationship Manager will be discontinued this year under new arrangements to deliver the assessments. The timing of this will be managed to ensure a smooth transition. However, Relationship Managers will continue to hold certain responsibilities for example for the delivery of the annual letter for 2008-09.

A range of pilot studies, testing the Corporate Assessment and Performance Assessment methodologies are in progress. A series of seminars is planned for the autumn.

Pension Fund Audits

Experience of planning the first round of pension fund audits, including use of external expert review, showed that the fee scale for pension fund audits had been set too low to accommodate the necessary levels of expertise needed. This has been corrected in the current scale.

Community Councils with income or expenditure of up to £1 million are subject to a 'limited assurance' audit regime. Fees for these councils have been, and will remain, fixed until the audit of the financial year 2010-11. To prepare for future audit cycles I am reviewing the operation of the limited assurance audit arrangements as part of which I will consult with One Voice Wales, the Society of Local Council Clerks, and Appointed Auditors. I have also launched a Good Practice Exchange to help councils to make improvements to their financial governance arrangements.

I want all bodies to engage with the audit and inspection planning process from the perspective of the work needed given their circumstances. Discussion should be about what the work represents in terms of the body's circumstances and arrangements, and how improvements to its arrangements can be achieved.

I look forward to receiving your comments on my proposals by Friday, 30 October 2009, which should be sent to me at the address/email noted above.

Yours sincerely

Jeremy Colman
Auditor General for Wales

Appendix

Local Government audit fee scales, value for money studies and inspection 2009-10 including fee scales for the Audit and Inspection of Housing, Criminal Justice, Fire and Rescue Services, National Park Authorities, and Pension Funds

The Auditor General requires auditors, and those acting on his behalf, to explain clearly the basis for the proposed fees at individual bodies, including:

- the specific factors which have been taken into account in proposing the fee, including the weighting given to each;
- the assumptions upon which the fee is based in terms of, for example, the standard of the body's control environment, coverage of internal audit, quality of working papers etc;
- what is included in the fee and what is not included;
- specific improvement actions that the audited body could take to reduce the level of its fee in the future;
- the grant certification workload known to the auditor and the body at the time of compiling the plan; and
- the processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

Key factors this year include introduction of International Financial Reporting Standards, and the introduction of significantly revised auditing standards

The introduction of International Financial Reporting Standards will have a significant impact on workloads and fees. The Government announced in the 2007 Budget that public sector accounts in the United Kingdom will in future be compiled on the basis of International Financial Reporting Standards. Although the Local Authority Statement of Recommended Practice already incorporates International Financial Reporting Standards -based Standards relating to financial instruments, International Financial Reporting Standards will have a significant impact on the accounts of local government bodies. I flagged this issue in previous years' letters, but over the last six months, the detailed arrangements for introducing this change have become clearer.

In broad terms, the introduction of International Financial Reporting Standards will impact on local government accounting as follows:

- Statement of Recommended Practice 2009 (2009-10) introduces a requirement for the recognition of PFI/PPP schemes to be based upon the principles in IFRIC 12, rather than UK GAAP;
- the 2009-10 Whole of Government Accounts (WGA), which includes the consolidation of local government accounts, will be prepared on an International Financial Reporting Standards basis; and
- in 2010-11 the Statement of Recommended Practice will be replaced by an International Financial Reporting Standards -based Code of Practice on Local Authority Accounting (Code).

Impact on 2009-10 audits

Although the accounting requirements for local government bodies will not be fully International Financial Reporting Standards based until 2010-11, IFRIC 12, which deals with the recognition of PFI/PPP schemes, has been incorporated into Statement of Recommended Practice 2009.

IFRIC 12 is an interpretation of International Financial Reporting Standards requirements relating to the recognition of service concessions. Its provisions relate directly to the accounting treatment of private sector entities that are operators of PFI/PPP schemes under International Financial Reporting Standards. However, the UK the public sector is adopting the mirror image of the accounting treatment outlined in the IFRIC. Currently most PFI/PPP schemes are 'off' balance sheet for local government bodies. However, it is generally accepted that applying the principles of IFRIC 12 will result in most PFI/PPP schemes being 'on' the balance sheet.

The changes introduced by Statement of Recommended Practice 2009 therefore result in the need for each PFI/PPP scheme entered into by a local government body will need to be reviewed against the new recognition requirements. Where that review identifies a need for a PFI/PPP scheme to be brought 'on' balance sheet, which is the anticipated outcome, then complex prior period adjustments extending back to the inception of the scheme will be required.

I estimate that this will result in the following one-off additional audit charges for local government bodies that have PFI/PPP schemes:

- Initial review of on/off balance sheet treatment – £1,500 to £3,000 per PFI/PPP scheme.
- Review of opening balances and prior year adjustments – £4,000 to £10,000 per body. These costs will be driven largely by the complexity of the unwinding of the PFI/PPP arrangement at each body. The key factors impacting on the costs are the length of time that a contract has already run, since every year's transactions will need to be unwound; and the quality of the working papers provided by audited bodies to support the adjustments.

With the exception of the recognition of PFI/PPP schemes, as noted above, local government accounts for 2009-10 will be compiled on the basis of UK GAAP. However the 2009-10 Whole of Government Accounts (WGA) will be compiled on an International Financial Reporting Standards basis. For the purposes of the WGA consolidation, the accounts of local government bodies will therefore need to be converted to an International Financial Reporting Standards basis.

CIPFA currently anticipates this conversion being undertaken centrally by the Treasury. If that is the case then there will be no need for any local International Financial Reporting Standards based adjustments to the WGA consolidation packs, and consequently no impact on the fees charged for their audit. However, this issue has not yet been finally resolved. If it transpires that there is a need for local adjustments to the WGA consolidation packs that give rise to the need for additional audit work I will write to you again with my estimate of the impact on audit fees.

Impact on 2010-11 and subsequent years' audits

The implementation of International Financial Reporting Standards is a fundamental change of approach; it is not simply a presentational matter. The introduction of International Financial Reporting Standards-based Code in 2010-11 and the resulting need for the restatement of 2009-10 comparative figures will have a significant impact on the workloads of both the compilers and the auditors of the accounts of local government bodies. The more onerous International Financial Reporting Standards accounting and disclosure requirements will also impact on workloads in future years.

CIPFA's Local Authority Accounting Panel (LAAP) published a bulletin (LAAP Bulletin 80) in March 2009 that contains guidance on the development of a project plan for the implementation of International Financial Reporting Standards-based accounts. The bulletin encourages local government bodies to discuss their project plans with their auditors at an early stage.

Local government bodies, and their auditors, cannot be immune from the workload and fee implications of fundamental changes to the accounting requirements. It has been reported that the introduction of International Financial Reporting Standards increased financial audit fees by 20 per cent in the commercial sector and by around 10 per cent elsewhere in the UK public sector. My current estimate, based upon the experience in NHS, is that the introduction of International Financial Reporting Standards will require between 20 and 30 days of audit work. On average, this will add between six per cent and eight per cent to the financial audit fee for local government bodies in Wales in 2010-11. The actual increase for individual bodies will be influenced by the number of leases and the quality of the supporting documentation. I anticipate the on-going impact of International Financial Reporting Standards will require between 5 and 10 days of additional audit work in 2011-12 and future years. On average, this equates with between 1.5 per cent and three per cent of the current financial audit fees.

The International Accounting Standards Board (IASB), the body that compiles the International Financial Reporting Standards, is introducing various changes to the Standards, which may impact on the accounts of local government bodies in 2011-12 and later years. Also, CIPFA has consulted on the nature and extent of financial reporting by local government bodies to their stakeholders, this may result in further changes to the financial reporting regime. The impact of these issues, if any, will be considered in the consultations on future years' audit fees.

The introduction of significantly revised auditing standards in 2010-11 will also impact on audit workload

Aside from the introduction of International Financial Reporting Standards across the UK public sector, audit workload will increase as a result of changes to professional auditing standards.

The Auditor General's Code of Audit and Inspection Practice requires the auditors of local government bodies in Wales to undertake their work in accordance with auditing standards issued by the Auditing Practices Board (APB). In 2004 the APB adopted the International Auditing and Assurance Standards Board's (IAASB's) International Standards on Auditing (ISAs), as amended for the UK and Ireland.

Since October 2005, the IAASB has been undertaking a project to 'clarify' the ISAs. This has involved:

- revising recently issued Standards to apply new clarity drafting conventions; and
- updating older ISAs and applying the clarity drafting conventions to these ISAs.

The Clarity ISAs, which will be adopted in the UK by the APB, will have effect in 2010-11 and subsequent audits.

The Clarity ISAs include over 50 per cent more mandatory requirements than is the case under current UK standards, although some of these requirements are already reflected in auditors' methodologies.

The APB has undertaken an analysis¹ of the overall impact of implementing the Clarity ISAs for private sector audit firms. Recurring costs for smaller audits increased by approximately 9.5 per cent. For larger audits the increase was in the region of two per cent. In addition, for smaller audits it identified additional non-recurring implementation costs of nearly four per cent. The APB's analysis also recognised that the impact of the Clarity ISAs is likely to vary significantly from one audit to another. The Wales Audit Office will be working over the coming year with other members of the Public Audit Forum to analyse the likely impact of the Clarity ISAs for public sector audits and also to identify ways to mitigate potential cost increases arising from implementation of the new standards.

Fee Scales

Fees for all bodies are agreed, with the body by the Appointed Auditor and where appropriate Wales Audit Office staff acting on behalf of the Auditor General, within the following scales:

Body	Scale Minima £	Scale Maxima £
Unitary Authorities (Band 1)	222,000	456,000
Unitary Authorities (Band 2)	339,000	563,000
National Park Authorities	28,500	38,600
Police Authorities	61,000	95,600
Probation	16,300	28,500
Fire and Rescue Authorities	49,900	63,100
Pension Fund Authorities	25,000	45,000

Band 1 = small/medium sized authorities ie, those with annual gross expenditure up to around £400 million to £500 million

Band 2 = medium/large authorities ie, those with annual gross expenditure of around £400 million and above.

Fee envelopes for small/medium and medium/large authorities will lie within the range of the appropriate Band. Auditors and those acting for the Auditor General will use their judgment to band authorities that have annual gross expenditure within the overlap of the two bands.

Fees are determined on the basis of work necessary to discharge audit, studies and inspection/assessment responsibilities following an assessment of complexity and other local circumstances, including the governance environment, risk, track-record on performance improvement, of the individual body, and any specified studies work notified to the auditor/Wales Audit Office staff and bodies by the Auditor General at the time of agreeing the fee. For pension funds the diversity of investment portfolios will also be a consideration. Where fees fall outside of the scale or have changed by more than +/-10 per cent year-on-year they will be reviewed by the Auditor General to ensure that they are adequately explained by relevant circumstances. If it is not possible to agree a fee, either the auditor, Wales Audit Office staff or the body can ask the Auditor General to determine the audit fee.

¹ Consultation on whether UK and Irish Auditing Standards should be updated for the new international auditing standards (October 2008)

Agreeing a fee, using the fee scale

Appointed Auditors/ Wales Audit Office staff and bodies should agree a 'fee envelope' for the year based on the work necessary for the auditor to discharge his/her responsibilities, and for studies and inspection/assessment and other work required at the body to be undertaken. Auditors, Wales Audit Office staff and audited bodies should work together to identify what actions can be taken to reduce risk, or improve arrangements that will reduce the work required and therefore the resulting fees. The basic steps that the auditor/Wales Audit Office staff should follow, including how to use the fee scale to check the overall fee, are:

Financial Audit fee envelope	
1.	Use a proportionate and risk-based planning approach to arrive at a fee for the financial audit work required to discharge Code responsibilities.
2.	State the fee for known, specified studies and assessment work or make a reasonable allowance for such work if not known at the time of agreeing the fee envelope.
3.	Use the appropriate fee scale and check the total of steps 1 and 2, when combined with inspection/assessment fees, in relation to the range expected by the Auditor General. Discuss and agree the audit fee envelope (total and makeup) with the body.
4.	Arrange billing on the basis of an agreed number of monthly instalments.
5.	Monitor work and billing in relation to the audit fee envelope during the year and provide position reports as agreed with the body.
6.	Report the planned audit fee envelope and out-turn fee to the body – agreeing alternative or additional work, or additional invoice, or rebate to the body as appropriate.
Studies, Assessment and Inspection fee envelope	
7.	Work is funded by a combination of direct grant to the Wales Audit Office and fees levied on the body. The detailed work programme and cost to individual bodies is determined through an Improvement Planning processes. (In future these will be determined by the Improvement Assessment).
8.	Use the appropriate fee scale and check the total of step 7, when combined with audit fees, in relation to the range expected by the Auditor General. Discuss the studies and assessment fee with the body.
9.	Arrange billing on the basis of an agreed number of monthly instalments.
10.	Monitor work and billing in relation to the fee during the year and provide position reports as agreed with the body.
The combined fee envelope	
11.	Audit fees are combined with studies, assessment and inspection fees to produce the overall fee envelope for the body. If the agreed fee is outside the expected fee scale or varies by more than +/- 10 per cent compared to the previous year, inform the Auditor General together with the reasons why.
12.	Report the planned fee envelope and out-turn fee to the body – agreeing alternative or additional work, or additional invoice, or rebate to the body as appropriate.

The steps set out above will produce a fee envelope that provides reasonable fee certainty for bodies, and for auditors and Wales Audit Office staff in performing their work.

Community Councils

Community councils where income or expenditure exceeds £1 million will be subject to the full Code audit regime. Fees for these councils are agreed by negotiation between the auditor and the Council – subject to review for reasonableness by the Auditor General if requested by either the Council or the auditor. Community Councils with income or expenditure up to £1 million are subject to a ‘limited assurance’ audit regime. Fees for these councils, which vary according to the turnover of the Council concerned, remain fixed until the audit of the financial year 2010-11:

Council's budgeted annual income/expenditure (fees are payable on whichever is the higher each year)	Type of audit	Total fee charged to the local council
£Nil – £1,000	Basic	No fee payable
£1,001 – £5,000	Basic	£50
£5,001 – £10,000	Basic	£120
£10,001 – £30,000	Basic	£135
£30,001 – £60,000	Basic	£285
£60,001 – £100,000	Basic	£400
£100,001 – £200,000	Basic	£550
£200,001 – £300,000	Intermediate	£875
£300,001 – £400,000	Intermediate	£1,050
£400,001 – £500,000	Intermediate	£1,450
£500,001 – £750,000	Intermediate	£1,950
£750,001 – £1,000,000	Intermediate	£2,500

To prepare for future audit cycles, the Auditor General is reviewing the operation of the limited assurance audit arrangements. He will seek the views of One Voice Wales, the Society of Local Council Clerks, and Appointed Auditors on the current arrangements and any further developments that may be appropriate.

Other Bodies

The fees to be charged to other bodies, such as internal drainage boards and small joint committees, will be determined in discussions between the auditor and the body concerned, following the principles set out in this document. The fees agreed will depend on local circumstances (in particular the size, complexity and role of the body concerned and any specific risks) and will be reviewed for reasonableness by the Auditor General if requested by either the body or the auditor/Wales Audit Office staff.

Skill-related fee scales

In certain circumstances it may be necessary to use staff with specialist skills. It is essential that appropriate senior and specialist staff are used where needed on more complex work. Additional costs will inevitably be incurred.

To facilitate the use of non-standard fees, the Auditor General has set the following skill-related fee scales for 2009-10 as the basis for local discussion. The actual fee rates charged will be determined in discussion between the auditor/Wales Audit Office staff and the body to reflect the nature of the work required. The skill-related fee scales for 2009-10 are:

Grade of staff	Range £ per hour
Appointed Auditor/Engagement Partner	£230 to £293
Audit/Project Manager	£135 to £162
Audit staff	£80 to £99
Other staff	£51 to £69

Note: Appointed Auditors may be staff of the Wales Audit Office or private firms of accountants.

The Auditor General recognises that, even in the current economic climate, these fee scales represent a significant discount on the standard commercial rates charged by the larger firms of auditors. Higher rates may be appropriate for certain pieces of work in order to obtain individuals with specialist knowledge. In such circumstances the Auditor General must be consulted in advance by the auditor.

Certification of grant claims and returns

In carrying out work in relation to government grant claims and other returns, under paragraph 20 of Schedule 8 of the Government of Wales Act 2006, the Auditor General's appointed auditors act as agents of the Auditor General. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken.

Charges for this work will be based on the skill-related fee scales set out above. The actual fees to be charged will be determined in discussion between the auditor and the audited body to reflect the size, complexity or any particular issues in respect of the grant in question.

National Fraud Initiative

The Auditor General has determined that bodies in Wales should continue to take part in the National Fraud Initiative (NFI) – a computerised data-matching exercise. The NFI has shown that data matching is a powerful tool in reviewing local government bodies' arrangements to prevent and detect fraud. NFI work is undertaken under the Auditor General's statutory data matching powers contained in the Public Audit (Wales) Act 2004, as amended by the Serious Crime Act 2007. The NFI is run over a two year period, so the scale of fees included in the 2008-09 fee letter covers two financial years 2008-09 and 2009-10. The fees for NFI 2008-09 were:

Type of body	£
Unitary Authority	3,650
Pension Authority (stand alone)	3,000
Police Authority	1,000
Fire and Civil Defence Authority	1,000
Probation Board or Probation Trust	1,000

Fees for specified work

Work funded by grants

The Auditor General will receive grants towards the costs of the Wales Audit Office's involvement in WPI in local authorities, Fire and Rescue Services and Registered Social Landlord inspections.

Additional work

Audited bodies may ask auditors to carry out particular pieces of work that do not fall within their Code responsibilities. The Auditor General requires that such work should not be accepted if by doing so the auditors' independence could be compromised, or could be perceived to be compromised, or if the integrity of the audit regime could be similarly compromised. Where such work can be carried out within these rules, the fees to be charged are a matter for negotiation between the auditor and the audited body and are not subject to the scales set out in this letter.

VAT

All the 2009-10 fee scales exclude VAT which will be charged at the standard rate on all work done.