

WALES AUDIT OFFICE BOARD

MINUTES OF THE MEETING ON TUESDAY 24 AND WEDNESDAY 25 NOVEMBER 2020

Members present:

Lindsay Foyster	Chair and non-executive member
Adrian Crompton	Chief Executive and Auditor General for Wales
Alison Gerrard	Non-executive member and Chair of the Remuneration & HR Committee
Amanda Hughes	Elected employee member
Anne Beegan	Elected employee member
David Francis	Non-executive member and Senior Independent Director
Elinor Gwynn	Non-executive member
Ian Rees	Non-executive member and Chair of the Audit & Risk Assurance Committee
Kevin Thomas	Appointed employee member and Executive Director of Corporate Services (EDCS)

Apologies:

None

In attendance:

Katherine Drysdale	Law and Ethics Specialist (minutes)
Amanda Jenkins	Planning and Reporting Specialist (items 3, 4 and 8)
Martin Peters	Head of Law & Ethics and Data Protection Officer (item 7)
Nicola Evans	Head of Finance (item 8)

Observing:

Clare Fellows	Executive Assistant to the AGW and Board Support
---------------	--

Item	Agenda
Part 1: preliminaries	
1	Chair's welcome and apologies for absence
2	Declarations of interest
Part 2: strategic discussion	
3	Strategic risk register: review to inform the annual plan 2021-22
4	Equality Report
Part 3: for discussion	
5	Update from the Auditor General & Chief Executive
6	Update from the Chair
7	Annual report of the Data Protection Officer
8	Performance review using the interim report 2020-21, the strategic risk report and the finance report
Part 4: for approval	
9	Minutes of the meeting on 15 October 2020 and any matters arising (using the action tracker)
10	Report from the Chair of the Remuneration and HR Committee
11	The Board's work programme 2020-21
12	Any other business
13	Date of next meeting: 27 and 28 January 2021

Item	Minutes	Action
Part 1: preliminaries		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance; there were no apologies for absence.	
1.2	Elinor Gwynn and Ian Rees would produce the blog of the meeting.	EG/IR
2.	Declarations of interests	
2.1	Amanda Hughes, Anne Beegan and Kevin Thomas declared interests in item 10 (Report of the Chair of the Remuneration and HR Committee).	
Part 2: strategic discussion		
3.	Strategic Risk Register: review to inform the annual plan 2021-22	
3.1	Following a briefing by the Planning and Reporting Specialist, members (in three breakout groups) considered the strategic risks facing Audit Wales, taking account of internal and external factors influencing its operating environment.	
3.2	Members presented the outputs of their collaboration and the Board discussed: <ul style="list-style-type: none"> the impact of change, resourcing and delivery of change projects and the impact on audit delivery; cyber risks associated with heavy reliance on technology and the internet; the need to ensure that the workforce has the right skills to deliver different types of work; ensuring the right balance between how staff want to work and the needs of the organisation; the ongoing impact of Covid-19 and maintaining effective working relationships internally and with audited bodies; the pace of change affecting the operating environment and priorities; and the importance of effective horizon scanning to develop knowledge and identify key issues and opportunities. 	
3.3	The Planning and Reporting Specialist presented the outputs from the exercise carried out by the ELT, noting that there was a good level of commonality. She would collate the outputs for allocation of risks to leads, who would develop the risks further, prior to preparing a refreshed strategic risk register for the Board to consider in January 2021.	AJ
3.4	The Board noted the interdependencies between various risks and asked for the risks to be mapped to Audit Wales ambitions, albeit recognising that some risks would map to more than one ambition.	AJ
4.	Equality Report	
4.1	The Board considered the draft annual report on compliance with the General Duty of the Equality Act 2010 and on progress made towards delivering the WAO's and the Auditor General's equality objectives, noting the commitment made at its October meeting to review the objectives in the Strategic Equality Plan in 2021.	

Item	Minutes	Action
Part 2: strategic discussion		
4.	Equality Report	
4.2	The EDCS explained that he was working with the Communications team to develop the foreword and to incorporate a summary of achievements at the front end of the report. The planned publication date was 18 December 2020 which was slightly later than previous years but well ahead of the legal requirement.	
4.3	The EDCS highlighted that progress had been effective or highly effective in 8 areas, but limited progress had been made to reduce the pay gap for gender or other protected characteristics or to increase BAME representation.	
4.4	The Board discussed the pay gap trends and the possible reasons for this, such as the impact of the trainee intake, recognising that in an organisation of some 270 people small numbers would have a notable impact. The EDCS explained that while a zero gap would be ideal, a tolerance of 5% might be expected and he would explore whether the charts could be developed to show the tolerance.	EDCS
4.5	The Planning & Reporting Specialist demonstrated the interactive data tool embedded in the report, which provided comparative data for previous years where available. The Board noted that the pay gap information appeared to show a significant change in some areas and the EDCS would check the underlying data for accuracy prior to publication. In her role as Board Equality link, Elinor Gwynn would support the review and testing of the interactive data tool.	EDCS EG
4.6	<p>The Board approved the draft report for publication, subject to</p> <ul style="list-style-type: none"> • amendment and enhancement of the foreword; • inclusion of a summary of performance against objectives; • a check that the data reported at exhibit 2 focussed on the 2019-20 year; and • an accuracy check of the data presented in the interactive data tool, <p>and agreed that the Chair and Auditor General should sign the final version of the report.</p>	Chair / AGW

Item	Minutes	Action
Part 3: for discussion		
5.	Update from the Auditor General & Chief Executive	
5.1	<p>The Auditor General and Chief Executive presented his written report and highlighted that:</p> <ul style="list-style-type: none"> • his qualified opinion on the Welsh Government accounts had been discussed at the Public Accounts Committee this week and there would be a further scrutiny session shortly; • a commentary had been produced to support the Welsh Government accounts which was a new output using WCF funding agreed by Finance Committee in the Estimate for 2020-21; • Finance Committee had circulated its report in response to the scrutiny session on 2nd November; the report was fundamentally satisfactory and supported the Estimate for 2021-22, but included several recommendations which would require a response in due course; and • he was exploring whether there was a case for the Senedd oversight of Audit Wales to be through the Llywydd's Committee which would provide non-political parliamentary style scrutiny. 	
5.2	<p>The Board noted the initial staff survey results, the high response rate and positive outcomes which appeared to be stable in relation to previous years. The Board briefly discussed:</p> <ul style="list-style-type: none"> • learning and development, which had been an ongoing concern over the last few years; • the return to the offices, which would be planned following Welsh Government advice and take account of safety requirements and staff wellbeing and needs; • the low score for challenge and speaking out, which suggest that a minority of staff feel unfairly treated. <p>The Board would discuss the survey results and management's response in detail at its meeting in January 2020.</p>	Board
5.3	<p>The EDCS confirmed that the amber rating on the change portfolio tracker for resourcing the digital strategy reflected the difficulty in finding people to progress the strategy. He explained that a consultant had been engaged to review and advise on the strategy so that the next steps could be prioritised. The Board asked that the strategic discussion item planned for its January meeting on data analytics be extended to a wider discussion on the digital strategy including feedback from the review.</p>	EDCS
5.4	<p>The Board noted that a fuller update on the Our Future Workplaces project would be provided at its January meeting and that it would be helpful for members to have access to background material ahead of that meeting. The Board Secretary would arrange to deposit relevant material in the Board reference library.</p>	KD
6.	Update from the Chair	
6.1	<p>The Chair presented her written update to the Board, highlighting her engagement with staff across the organisation. It was noted that this approach had to date been well received by staff. In addition to Board link roles, she encouraged members to interact informally with staff and participate in Audit Wales activities.</p>	

Item	Minutes	Action
Part 3: for discussion		
7.	Annual Report of the Data Protection Officer	
7.1	The DPO presented his second annual report in which he described the outcome of his monitoring programme and issues arising from other work. He supported his report with a presentation in which he outlined progress and potential improvements in key areas relating to cyber security, fair processing and records management.	
7.2	<p>The EDCS presented management's response to the recommendations and advice in the DPO's report. He explained that:</p> <ul style="list-style-type: none"> • IT had engaged a supplier to carry out Cyber Essentials Plus accreditation; • current cloud processing arrangements would be maintained as risks arising from EU / GDPR / Brexit were manageable, with migration to be considered as part of any future upgrade; • significant progress had been made in records destructions last year and due to other priorities and events records work had been largely deferred to the second half of the current year and would focus on key areas only, with further resource to be secured next year; • HR, working with Law & Ethics and Business Services, would provide guidance for managers on the retention and destruction of HR information, with improvements to be made to the HR system to support this; • in his role as Senior Information Risk Owner he had asked Information Asset Owners (IAOs) to ensure early consideration of privacy risks; • IAOs would require their staff to complete information governance returns, with support from Law & Ethics; • Law and Ethics were aiming to roll out online training in January to cover lawful processing, privacy impact assessments and the data protection aspects of social media and web scraping; and • Law and Ethics, with input from Business Services, would issue guidance on information security and data protection in the home working environment. 	
7.3	<p>The Board noted the DPO's annual report, was assured by management's response, and endorsed his recommendations:</p> <ul style="list-style-type: none"> • that management implement Cyber Essentials Plus accreditation • that management pursues a good records management culture and active records management in 2021-22, particularly in relation to HR-type information, and provides resources to enable this (in 2022-23); • that IAOs and project managers ensure that privacy matters are considered at the start of all work to address privacy risks and fair processing in accordance with the GDPR; and • that all staff complete mandatory online training and related professional reading. 	

Item	Minutes	Action
Part 3: for discussion		
8.	Performance review (using the interim report 2020-21, the strategic risk report and the finance report)	
8.1	The EDCS presented a paper, supported by a presentation, updating the Board on progress against the Annual Plan 2020-21. He explained that audit delivery as well as key corporate projects were largely on track.	
8.2	The EDCS provided a brief financial update and explained that although the current assessment of financial health was green he was recommending that Board approve a supplementary estimate to enable Audit Wales to recognise and use additional income generated through fee overruns by two contractor firms as well as Audit Wales.	
8.3	<p>The Board discussed the forecast financial position and noted that:</p> <ul style="list-style-type: none"> • additional fees would be chargeable only where the additional costs resulted from client quality issues, with costs associated with inefficiencies of remote working being absorbed; • discussions with the firms were continuing to determine the final value of the overruns to be charged to audited bodies; • if the Board did not approve a supplementary estimate the income in excess of the original budget would have to be returned; and • the supplementary estimate would not make an additional call on the WCF and would give Audit Wales flexibility for its Voluntary Exit scheme and other strategic activity. 	
8.4	The Board endorsed the ELT's advice and approved a supplementary estimate on the basis that the funding would be used primarily for the Voluntary Exit scheme. The Board delegated final approval of the supplementary estimate to the Chair and the Auditor General.	
8.5	The EDCS highlighted that the risk register was in a state of transition following the review of risks by the ELT and drew the Board's attention to risks relating to the senior restructure and changes at Board and Executive Director level which remained high.	
8.6	<p>The Board considered whether the KPI targets in the Annual Plan relating to the numbers of social media engagements and shared learning events should be revised, as they had largely been achieved. The Board also discussed updating the KPIs for the 2021-22 annual plan, reflecting that it was important for some continuity to be maintained in the KPIs to support measurement of performance. The Board agreed:</p> <ul style="list-style-type: none"> • that the targets for the current year should not be changed; • KPIs for 2021-22 should be reviewed and adjusted where they are not working; and • a fuller review of the KPI framework involving the new Executive Director team should be planned, with any changes to be in place for 2022-23. <p>The EDCS would update the Board on the timings for the full KPI review.</p>	EDCS

Item	Minutes	Action
Part 3: for discussion		
8.	Performance review (using the interim report 2020-21, the strategic risk report and the finance report)	
8.7	<p>The EDCS updated the Board on the areas of focus in the Annual Plan relating to:</p> <ul style="list-style-type: none"> • Support to the Senedd Finance Committee on our fee charging and governance arrangements, where progress was not anticipated until after the 2021 elections; and • Embedding sustainable development principles in our decision making where progress related largely to consideration of the principles as part of our impact assessment arrangements. 	
8.8	<p>The Board discussed how sustainable development could be proactively considered in its decision making and recognised that principles of sustainable development are wider than the five ways of working set out in the Wellbeing of Future Generations legislation. The Board agreed:</p> <ul style="list-style-type: none"> • that the current impact assessment process should continue for the time being; • the EDCS would ask the Future Generations Manager to provide a commentary on progress to date in embedding our current approach through impact assessment; and • to include a strategic discussion on sustainable development (what this means for Audit Wales and how this could be embedded in our work) in its work programme. 	<p>EDCS</p> <p>KD</p>
8.9	<p>The Board confirmed that it had sufficient assurance of progress against the current Annual Plan and noted that the Annual Plan for 2021-22 was in development, taking account of the interim report, environmental analysis, risk review and staff survey results.</p>	
Part 4: for approval		
9.	Minutes of the meeting on 15 October 2020 and any matters arising (using the action tracker)	
9.1	<p>The Board approved the minutes of its last meeting as an accurate record.</p>	
9.2	<p>The EDCS provided an update on the outstanding action (20/029) relating to board support arrangements. He would be collecting feedback to inform an evaluation of the interim arrangements with a view to making a recommendation for more permanent arrangements in early 2021.</p>	EDCS
10.	Report from the Chair of the Remuneration and HR Committee	
10.1	<p>The Chair of the Remuneration & HR Committee presented the report of the Committee's meeting on 17 November 2020. She drew the Board's attention to the Committee's recommendations on:</p> <ul style="list-style-type: none"> • the review of the job evaluation scheme which had been in place since 2007 to ensure that it is fit for purpose and fit for the future; • development of the performance appraisal scheme, to include more emphasis on values and behaviours and an effective assessment matrix; • amendment of the pay policy to incorporate a process for paying a temporary allowance for additional duties; and • the operation of an open Voluntary Exit scheme. <p>The Board approved the four recommendations.</p>	

Item	Minutes	Action
Part 4: for approval		
10.	Report from the Chair of the Remuneration and HR Committee	
10.2	The Board discussed the comprehensive advice to the Travel and Subsistence task and finish group developed by the ELT and endorsed by the Committee for recommendation to the Board. The Board endorsed the approach recommended by the Committee and affirmed that the group should develop and prioritise proposals within the financial parameters that had been provided for consideration by the ELT and the Board.	
10.3	The Board noted the other matters summarised in the Committee's report.	
11.	The Board's work programme 2020-21	
11.1	The Board discussed its provisional work programme, agreed the subjects and scope of its strategic discussion in January 2021 and highlighted potential subjects for future discussion.	
12.	Any Other Business	
12.1	David Francis and Alison Gerrard would arrange a virtual Christmas social event for members.	DF/AG
13.	Date of next meeting	
13.1	Wednesday 27 and Thursday 28 January 2021	