

Wales Audit Office Board
Minutes of the meeting on Tuesday 21 and Wednesday 22 September 2021

Members:

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
Adam Marshall	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 (22 September 2021)
Kevin Thomas	Appointed employee member and Executive Director of Corporate Services (EDCS)

Apologies: Ian Rees, Non-executive member (21 September 2021)

In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Guto Gwilym- Taylor	Welsh Language Officer (item 17)
Laurie Davies	Head of Business Services (item 16)
Matthew Hockridge	Head of Planning & Reporting (items 5, 12 & 13)
Nicola Evans	Head of Finance (items 5, 13 and 14)
Terry Jones	Audit Manager (item 6)
Tom Haslam	Audit Manager (item 6)
Eva Beazley	Saxton Bamfylde (item 7)
Jonathan Morgan	Saxton Bamfylde (item 7)

Observers:

Alison Lewis	Audit Lead (save for items 10, 11 and 21)
Ceri Hughes	Change Programme Manager (save for items 10, 11 and 21)
Emrys Brown	Apprentice (save for items 10, 11 and 21)

Item	Agenda
1.	Chair's welcome and apologies for absence
2.	Declarations of interest
3.	Report of the Chief Executive and Auditor General
4.	Chair's update
5.	Performance reporting, including the finance report, strategic risk register and quarter one performance
6.	Quality Report
7.	Board Effectiveness: report from Saxton Bamfylde
8.	Board Effectiveness: next steps
9.	Board governance review

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Item	Agenda
10.	Review of minutes: Board meeting 20 and 21 July 2021
11.	Review of action tracker
12.	The five-year strategy
13.	Interim Report 2021-22 structure and timetable
14.	Estimate 2021-22 and Supplementary Estimate
15.	Report from the Audit and Risk Assurance Committee 14 September 2021
16.	Business continuity: crisis management review
17.	Welsh language report
18.	Communications update: role of the Board in engagement
19.	Review of the forward work programme
20.	Review of the meeting
21.	Any other business
22.	Date of next meeting: 23 and 24 November 2021

Item	Minutes	Action
Standing Items		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance.	
1.2	An apology from Ian Rees for his absence on Tuesday 21 September 2021 was noted.	
2.	Declarations of interest	
2.1	Adam Marshall declared an interest in the Chair's Report in respect of the proposal for his appointment to the Remuneration and HR Committee and would not participate in that decision. In the absence of Ian Rees, Adam's non-participation would mean the Board was quorate for that decision.	
2.2	Ann-Marie Harkin declared a non-prejudicial interest in the Audit Quality report as she was actively involved in one audit.	
2.3	The staff observers would leave the meeting for item 10 (review of the minutes), item 11 (action tracker) and item 21 (AOB) which would be taken in private.	
3.	Report of the Chief Executive and Auditor General	
3.1	The Auditor General and Chief Executive presented his report and provided updates to the Board on: <ul style="list-style-type: none"> • the key matters discussed at the private session with the Finance Committee; • the travel and subsistence consultation process; and • the changes to the social media policy, which was currently reserved to Board under the Scheme of Delegations, to update and refresh the policy in light of technological advances and cyber risks. 	

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3.2	The Board considered the pulse survey results which highlighted staff feelings regarding high workloads, and noted: <ul style="list-style-type: none"> the steps taken and underway to address peaks in workload and recruitment; and the importance of a realistic approach to assessing the resources required to deliver the work programme, capacity and fee setting. 	
3.3	The Board acknowledged the hygiene rating achieved for the Cardiff office and noted that similar cleaning regimes were in place for the Penllergaer and Abergele offices.	
3.4	The Board noted the report.	
4.	Chair's update	
4.1	The Chair presented her written update to the Board and sought members' views on holding some meetings in person in the future. Members agreed that this would be beneficial, but recognised that the Board would operate in line with the organisational approach and maintain flexibility to respond to changes in the external environment.	
4.2	The Chair presented her proposal for the appointment of Adam Marshall to the Remuneration and HR Committee.	
4.3	The Board approved the appointment of Adam Marshall to the Remuneration and HR Committee and otherwise noted the Chair's update.	
5	Performance Reporting	
(a) finance report and medium-term financial plan		
5.1	The Head of Finance presented a paper outlining the financial position at the end of July which had an amber status and explained that this was largely similar as at the end of August.	
(b) supplementary estimate 2021-22		
5.2	This item was dealt with and minuted under item 14.	
(c) strategic risk register		
5.3	The EDCC explained that work was ongoing to update the strategic risk register, align it with an updated assurance framework and update the power BI reporting tool.	
5.4	The Board noted that the Planning and Reporting Team was working with the ELT to develop the framework and assign risk owners and the updated framework would be brought to the Board meeting in November.	EDCC
5.5	The EDCC provided an oral update on the current strategic risk register and explained that there had been no significant changes through the addition of new risks or de-escalation of risks to the operational risk register. She highlighted the risks associated with the impact of the travel and subsistence review.	

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5.6	The Board encouraged the ELT to keep the current risks on the register updated to provide assurance to the Board that those risks were being appropriately reviewed and managed.	ELT
(d) quarter one performance against the annual plan		
5.7	The Head of Planning and Reporting presented a brief update on performance and explained that further detail would be incorporated in the interim report following the end of quarter two.	
5.8	The Board briefly considered progress against the areas of focus, including matters that had emerged from the staff survey and whether reduced HR capacity could impact on the results for the 2021 staff survey. Management explained that scores on matters perceived to be HR related, such as learning and development, were likely to reflect the wider organisational position than be directly related to HR capacity.	
5.9	The Board noted the performance report.	
6	Quality Report	
6.1	The EDAS introduced a paper updating the Board on the development and outcome of the quality report for 2020-21, which would replace the annual transparency statement and would be published on the Audit Wales website. She highlighted the importance of achieving and demonstrating audit quality in the delivery of the Auditor General's programme of work and to meet Audit Wales' ambitions.	
6.2	The Audit Managers briefly explained: <ul style="list-style-type: none"> • the structure and purpose of the report, and • the development of Audit Wales approach to quality and quality reporting. 	
6.3	The Board discussed the form, content and purpose of the draft report and offered its observations, which the Audit Managers would take account of in further developing the report.	
6.4	The Board welcomed the new approach and the opportunity to engage and explore the development of the report. The Board noted that there were plans to further develop the report in future iterations.	
7	Board effectiveness: report from Saxton Bamfylde	
7.1	Saxton Bamfylde presented their draft report on Board effectiveness and summarised the key findings, areas for improvement and recommendations. The Board noted the overall assessment that it was an effective board with a number of key strengths, and that the report highlighted areas for further improvement.	
7.2	The Board explored with Saxton Bamfylde: <ul style="list-style-type: none"> • the overall assessment of effectiveness; • their views on the operation of the Board's Committees; and 	

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	<ul style="list-style-type: none"> the mood and tone of the staff focus groups and the key themes arising from them. 	
7.3	The Board thanked Saxton Bamfylde for their work. The Chair would revert to them to confirm the final report.	LF
8	Board effectiveness: next steps	
8.1	The Board reflected on the assessment and recommendations from the effectiveness review, recognising the Board's strengths and opportunities to improve and would develop a plan for addressing the recommendations proportionately to achieve the greatest impact.	
8.2	The Board agreed that the Board planning group would develop the plan to address the recommendations in the report.	Planning group
9	Board governance review	
9.1	On behalf of the governance working group, Anne Beegan presented a paper supported by a presentation explaining the applicable legal framework and seeking the Board's input to the development of good governance at Audit Wales.	
9.2	The Board discussed their collective understanding of good governance and the principles that might be developed to extend and support the current approach, noting that governance was relevant to the whole organisation and not just to the Board and decision-making structures.	
9.3	The governance working group would take account of the Board's input, alongside the Board effectiveness report and internal audit report on governance, in carrying out a gap analysis to inform the development of a tailored governance model for Audit Wales.	
10	Review of minutes: Board meeting 20 and 21 July 2021	
10.1	Subject to minor amendments, the Board approved the minutes of its meeting on 20 and 21 July as an accurate record.	
10.2	The Board agreed that the minute relating to the travel and subsistence review would be redacted from the published version of the minutes as this item was taken in private.	KD
11	Review of action tracker	
11.1	The Board received updates against actions which the Board Secretary would reflect on the tracker.	KD
12	The five-year strategy	
12.1	<p>The EDCC presented an update on the development of the five-year strategy which outlined:</p> <ul style="list-style-type: none"> a reflection of progress against the ambitions; what Audit Wales was seeking to achieve against those ambitions by 2027; and the three planned areas of focus which provided the road map to meet the ambitions. 	

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12.2	The EDCC explained that the strategy reflected the progress that had been made against the ambitions as well as ongoing activity, and provided a fresh approach through three key areas of focus.	
12.3	The Board discussed: <ul style="list-style-type: none"> the content of the presentation and proposed flow of the strategy; the comparative language used in aspects of the roadmap; how outcomes and impact could be measured; the cyclical nature of developing and reviewing a strategy; and the timetable for developing the strategy and engaging with staff. 	
12.4	The Board was keen to ensure that it had an opportunity to reflect on the proposal more fully and contribute to the development of the strategy at or before its meeting in November. The Board noted that members would be involved in the staff engagement process. The Chair and the EDCC would consider how to involve members more fully in the development of the strategy.	LF / ALC
13	Interim Report 2021-22: structure and timetable	
13.1	The Board considered a paper outlining the proposed structure and timetable for delivering the interim report providing an assessment of progress against the 2021-22 annual plan.	
13.2	The Board was content with the proposal and authorised the Chair to approve the final document with the Auditor General on its behalf. The Head of Planning & Reporting would provide members with an opportunity to provide input and would liaise with the Board Secretary to arrange this.	MH
14	Draft Estimate 2022-23 and Supplementary Estimate 2021-22	
(a) Supplementary estimate 2021-22		
14.1	The Head of Finance presented a paper outlining a proposal for a supplementary estimate to meet the potential costs of a travel allowance buy out in the current financial year, if all staff opted to take the full buyout rather than a two-year transition. She explained that in the event that the full amount of additional funding was not required it would be returned to the WCF and this funding would not be available for other matters such as funding voluntary exits.	
14.2	The Board approved the supplementary Estimate for 2021-22.	
(b) Draft Estimate 2022-23		
14.3	The Head of Finance presented a paper outlining the draft Estimate for 2022-23 which the ELT had endorsed, taking account of the discussions at the Board meeting in July.	
14.4	The Board noted that the draft estimate did not reflect the outcome of any discussions with the Welsh Government to explore whether the pensions increase could be moved from WCF to fees as discussed at the July Board meeting. The Head of Finance explained that moving the pensions increase would increase the request for WCF funding by more than 2.5% which would be out of line with other directly funded bodies and impact on the requests	

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	for WCF funding for the travel time change and audit quality resourcing, meaning that seeking a switch was not likely to be workable.	
14.5	The Board noted that: <ul style="list-style-type: none"> discussions with the Welsh Government were taking place on the potential for changing elements of funding for local work from fees to the WCF to provide greater flexibility for undertaking national or regional studies; and the quantum of the proposed shift from fees to funding would be expected to reflect the funding required to provide demonstrable added value in delivery of the Auditor General's programme of work. 	
14.6	The Board also noted that: <ul style="list-style-type: none"> the travel time policy change was likely to reduce chargeable time, but this was difficult to quantify in the current operating environment; the level of National Insurance increases was currently unknown but would be proportionally split between WCF and fee funding streams; and additional funding for the National Fraud Initiative to target high fraud risk transactions had the potential to achieve savings for the public purse. 	
14.7	The Board discussed the potential impact of the proposals on: <ul style="list-style-type: none"> fee rates and the associated reputational impact of increases; and the medium-term financial plan. 	
14.8	The Board recognised that the proposals for the draft Estimate had developed since the Board's previous steer and agreed that it would be helpful if an explanation could be provided on the changes and the impact of the changes. The ELT would provide an updated briefing for the Board to consider virtually.	ELT
15	Report from the Audit & Risk Assurance Committee meeting 14 September 2021	
15.1	The Chair of the A&RAC presented his report of the Committee's meeting on 14 September and explained that the Committee intended to resume its strategic deep dives in December.	
15.2	The Board: <ul style="list-style-type: none"> noted the report, including the approach and proposed weighting for the procurement of internal audit services and that the Committee had authorised the Chair to work with management on the procurement process and report back to it; and approved the approach for the external audit procurement for submission to Finance Committee for approval, on the basis of a 4-year term with the option for 3 potential one-year renewals. 	
16.	Business Continuity: crisis management review	
16.1	The Head of Business Services presented a paper updating the Board on the development of the business continuity and crisis management framework. She explained the process for stress testing situations and confirmed that she would add in a prompt for the early involvement of the Board Chair to ensure the timely involvement of the Board if appropriate.	LD

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16.2.	The Board noted the report.	
17.	Welsh language report	
17.1	The Welsh Language officer presented a paper updating the Board on the annual Welsh language report. He outlined the process for development of the Welsh language strategy and that this would be delayed until autumn 2022 to allow time to develop Audit Wales' aspirations for not only providing services bilingually but developing awareness of the Welsh language and culture.	
17.2	The Board noted the report and endorsed the extension of the current Welsh language strategy for a further year.	
18	Communications update: the role of the Board in engagement	
18.1	The EDCC gave a presentation outlining: <ul style="list-style-type: none"> • the purpose and benefits of stakeholder engagement; and • the desired outcomes from Board involvement in engagement both internally and externally. 	
18.2	The Board discussed the benefits of members contributing to a co-ordinated approach to engagement, with a focus on internal engagement to support the effective running of Audit Wales.	
18.3	The Board noted that external engagement should be carefully co-ordinated and in line with the Relationship Code and it would be helpful for members to understand their role and any parameters, recognising that ad hoc informal contact between members and external stakeholders might arise.	
18.4	The Board agreed that the EDCC would develop a paper setting out a proposal for proportionate and focussed Board engagement to add value, and to address how incidental external engagement should be managed.	EDCC
19	Review of the forward work programme	
19.1	The Board discussed its forward work programme which the Board Secretary would review with the Board planning group and update.	KD
20	Review of the meeting	
20.1	In reviewing the meeting, members indicated that they would appreciate: <ul style="list-style-type: none"> • prioritising and allowing time to fully discuss key strategic items such as the Estimate and the five-year strategy • clear explanations of changes and developments to strategic items between Board meetings; • limit use and length of presentations to support information in papers or lead discussions, with key information included in papers beforehand to allow time for members to absorb the information, maintain focus on the key issues and spend more time in the meetings on the discussion. 	
20.2	The Board Secretary would take account of this feedback in developing future agendas and Board packs	
21	Any other business (taken in private)	

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21.1	The EDCC: <ul style="list-style-type: none"> • provided an update on the travel and subsistence review, highlighting high level of staff engagement in the consultation process; and • explained the next steps. 	
20	Date of next meeting	
20.1	23 and 24 November 2021	