

Wales Audit Office Board
Minutes of the meeting on Thursday 09 June 2022

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 (recused for item 10 (a))
Anne Beegan	Elected employee member (recused for item 10 (a))
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) (recused for discussion and decision of item 10(a))

Apologies:

Ann-Marie Harkin	Executive Director of Audit Services (EDAS) (items 1 – 7)
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In attendance:

Andrew Clark	Independent member of the Audit & Risk Assurance Committee
Anne-Louise Clark	Executive Director of Communications and Change (EDCC) (save for item 10(a))
Ann-Marie Harkin	Executive Director of Audit Services (EDAS) (items 8 to 20, save for item 10(a))
Katherine Drysdale	Board Secretary (minutes)
Laurie Davies	Head of Business Services (item 8)
Matthew Hockridge	Head of Planning & Reporting (items 7, 11 to 14)
Nicola Evans	Head of Finance (items 11 and 12)

Observers:

Shelley Evans	Principal Accountant (save for item 10(a))
Sara Utley	Performance Audit Lead (save for item 10(a))

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.	Review of minutes: Board meeting 16 and 17 March 2022
6.	Review of action tracker
7.	Performance reporting, including the strategic risk register
8.	Future Workplaces: options appraisal
9.	ELT Annual Report
10.	Report from the Remuneration & HR Committee 26 April 2022, including the Committee's annual report to the Board and updated Terms of Reference

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11.	Report from the Audit & Risk Assurance Committee meeting 07 June 2022, including the Committee's annual report to the Board and updated Terms of Reference
12.	Annual report and accounts 2021-22
13.	Five-year strategy
14.	Equality report 2021-22
15.	Governance review: constitutional documents and schemes of delegation
16.	Preparatory discussion for meeting with the trades unions
17.	Any other business
18.	Review of the forward work programme
19.	Review of the meeting
20.	Date of next meeting: Strategic - 9 July 2022; Business and Board Meeting with the Trades Unions - 27 July 2022

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	There were no apologies for absence from the whole meeting. An apology for absence for items 1 - 7 of the meeting was noted for Ann-Marie Harkin.	
2.	Declarations of interest	
2.1	Employee Board members (and staff present) declared an interest in item 10, the report from the Chair of the Remuneration and HR Committee as far as it related to pay and reward. The pay and reward element of the report would be taken in private for reasons of confidentiality and commercial sensitivity and to support the effective conduct of business as item 10(a) and employee members would recuse themselves for that item. Other staff members would also leave for that item, save for the Board Secretary who would remain to keep a record of the item.	
2.2	The Board noted that item 8, future workplaces would also be taken in private for reasons of confidentiality and commercial sensitivity and to support the effective conduct of business. The Chair noted that Employee Board members (and staff present) had an interest in item 8, but she was satisfied that it was non-prejudicial, and they would remain in the meeting.	
3.	Report of the Chief Executive and Auditor General	
3.1	The Auditor General and Chief Executive presented his update and drew the Board's attention to the impact, in line with the five-year strategy, of his reports on:	

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	<ul style="list-style-type: none"> Tackling the Planned Care Backlog in Wales which had used data modelling to provide unique perspective and add value; and Fuel Poverty and the Warm Homes Programme, which the Senedd Equality and Social Justice Committee had taken as the starting point for its own work. 	
3.2	The Board noted the report.	
4.	Chair's Update	
4.1	The Chair presented her written report and provided brief updates on the: <ul style="list-style-type: none"> Senedd process for the recruitment of new non-executive members (and Chair) which would commence in July; and Board member appraisals planned for the summer, and which would incorporate feedback from Committee Chairs. 	
4.2	The Board noted the report.	
5.	Review of minutes: Board meeting 16 and 17 March 2022	
5.1	The Board approved the minutes of its meeting on 16 and 17 March as an accurate record.	
6.	Review of action tracker	
6.1	The Board received updates against actions which the Board Secretary would reflect on the tracker, including: <ul style="list-style-type: none"> WAOB/21/036 (Board effectiveness): cross over with other actions on engagement, to be reviewed for any further action required; WAOB/21/053 (KPI development): target date to be updated to reflect that this would come back to the Board in March 2023; WAOB/21/055 (resourcing): clarification required on how and when supply and demand information would be provided to the Board; WAOB/21/061 (strategic risk register): target date to be extended as the interactive version of the register was not yet available to members. 	BS
6.2	The Board asked the Board Secretary to review the actions on the tracker with action owners to provide clear updates on the status of actions and record when items would come back to Board where appropriate. The Board Secretary would circulate an updated version of actions outstanding on the tracker following that review.	BS
6.3	In setting actions, members noted that it would be helpful for actions to be framed precisely with a clear timeframe for completion.	
7	Performance reporting: strategic risk register	
7.1	The Head of Planning and Reporting presented a paper providing an overview of the key strategic risks facing Audit Wales. He drew the Board's attention to the new risks added and risks closed.	
7.2	The Chair of the A&RAC explained that the Committee was pleased to see new risks added following the review of the financial statements, but had asked the ELT to conduct a fuller review of the register, in particular the	

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	target and residual risk ratings to establish whether more could be done to reduce the risk levels.	
7.3	<p>The Board noted the report and that:</p> <ul style="list-style-type: none"> • minor changes were not sufficient to trigger a visible change in the categorisation of residual risk on the current version of the register, but the interactive version would provide a higher level of detail; • the ELT would conduct a fresh review of the register, including target risk ratings and risk appetite; and • the interactive version of the register should be available in September. 	ELT
7.4	The Head of Planning and Reporting provided an oral update on performance against the annual plan KPIs.	
7.5	<p>The Board briefly discussed the following KPIs.</p> <p><u>Audit quality</u> The Board was concerned that the KPI did not accurately reflect the overall quality standard of financial audit work due to the low number of reviews referred to, and noted that the approach would be reviewed going forward. The Board also noted that performance audit had adopted the INTOSAI standards and learning from this would inform the approach for the forthcoming year. The Board agreed that it would be helpful if the annual report could incorporate further context to outline the approach to quality and explain the outcomes. The Head of Planning and Reporting would add a footnote to provide this information in the annual report.</p> <p><u>The people survey</u> The Board recognised that the target to achieve the top quartile was unrealistic and the ELT would reconsider the KPI to set clear criteria and targets against which to measure progress, recognising for benchmarking purposes that the Civil Service publish only median and mean scores.</p> <p><u>Carbon Emissions</u> The Board noted that achievement was significantly over target. The Head of Business Services explained that in the absence of clear guidance from the Welsh Government both setting targets and measuring achievement accurately had been difficult. However, she expected that the guidance would be available to inform reporting in the Interim report.</p>	<p>HoP&R</p> <p>ELT</p>
7.6	The Board noted that, in some areas, reporting achievement against targets was based on a subjective assessment and suggested that the process for assessing achievement against target could be more specific and/or numerically based. The EDCC agreed that this would be considered as part of the forthcoming work to develop the KPIs for the forthcoming year.	EDCC
8	Future Workplaces: options appraisal (taken in private)	
8.1	This item was taken in private for reasons of confidentiality and commercial sensitivity and to support the effective conduct of business.	
9	ELT Annual Report	
9.1	The Chief Executive presented his annual report of activity undertaken by the Executive Leadership Team during 2021-22.	

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9.2	The Board noted the report.	
10	Report from the Remuneration & HR Committee 26 April 2022, including the Committee's annual report to the Board and updated Terms of Reference	
10.1	The Chair of the Remuneration & HR Committee presented her report of the Committee's meeting on 26 April 2022 (save for consideration of the 2022-23 pay settlement) and highlighted the Committee's recommendations. The Auditor General briefly explained the Ashe index and how this was used by the Senedd to inform its pay negotiation process.	
10.2	The Board: <ul style="list-style-type: none"> • endorsed the plan outlined in paper RHR(22)-22-004 to develop the workforce strategy and its delivery plan to align to the five-year strategy, including the next steps proposed to complete that work; • approved re-naming the workforce strategy as the People and Organisation Development Strategy to better reflect its content and purpose; and • authorised the EDCS and Head of HR to enter into discussions with that trades unions on adopting the ASHE index to inform the pay settlement for 2023-24. 	
10.3	The Board noted the other matters outlined in the report.	
10.4	The Chair of the Remuneration & HR Committee presented the Committee's: <ul style="list-style-type: none"> • annual report to the Board for 2021-22 incorporating its self-assessment; and • revised terms of reference, which incorporated minor practical changes. 	
10.5	The Chair of the Remuneration & HR Committee drew the Board's attention to the updates on the recommendations in the Committee's annual report for 2021-22 and explained the new recommendations for the forthcoming year.	
10.6	In relation to the recommendations for 2022-23, the EDAS explained that she had completed her new Director structure with the final appointment effective from the beginning of July. The Board suggested that the timing of the review for the director structure should be planned for one year following implementation. The Chair of the Committee would agree the timing for the review with the EDAS and the Board Secretary would incorporate the review into the Committee's work programme.	Chair / BS
10.7	The Board approved the Committee's annual report and its revised terms of reference.	
10 (a) pay and reward (taken in private)		
10.8	The elected employee members, EDCC, EDAS and staff observers left the meeting.	

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10.9	The nominated employee member updated the Board on the discussions between management and the trades unions, then left the meeting	
10.10	This item was discussed in private for reasons of confidentiality and commercial sensitivity and to support the effective conduct of business.	
10.11	The elected employee members, nominated employee member, EDCC, EDAS and staff observers re-joined the meeting.	
11.	Report from the Audit & Risk Assurance Committee meeting 07 June 2022, including the Committee's annual report to the Board and updated Terms of Reference	
11.1	The Chair of the Audit & Risk Assurance Committee presented his report of the Committee's meeting on 7 June, which supplemented the papers included in the Board pack.	
11.2	<p>The Chair of the Audit & Risk Assurance Committee highlighted:</p> <ul style="list-style-type: none"> • the final internal audit report for 2021-22 on corporate governance, explaining that management had provided a satisfactory rationale for their response which did not fully accept all of the recommendations; • that, subject to the views of the Board, the Committee was planning a deep dive strategic review of budget management at its meeting in September; • the Committee had suggested that the governance statement of the Annual Report and Accounts be extended to incorporate narrative to reflect the activity proposed in the information governance annual report; • the annual report on whistleblowing had given rise to a discussion around organisational trust which the Committee intended to explore further; and • the recommendations in the Committee's annual report. 	
11.3	<p>The Board approved:</p> <ul style="list-style-type: none"> • the Committee's provisional work programme for 2022-23; • the Committee's annual report for 2021-22; • the Committee's terms of reference; and • the assessment of compliance with the Code of Good Practice for Corporate Governance in Central Government. <p>The Board endorsed the Committee's proposal to conduct a deep dive review into budget management.</p>	
11.4	<p>The Chair of the Audit & Risk Assurance Committee summarised the Committee's discussion on the draft annual report and accounts, including the supporting assurances from the Heads of Internal and External Audit. He recommended that the Board:</p> <ul style="list-style-type: none"> • note the comprehensiveness of the assurances received on the annual report and accounts; • recommend to the Accounting Officer that he should sign the annual report and accounts for 2021-22 and the letter of representation; and 	

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	<ul style="list-style-type: none"> reviews and confirms its process and risk appetite for managing the quorum at its meetings. 	
11.5	The Board noted the Committee's recommendations.	
12.	Annual report and accounts 2021-22	
12.1	The Head of Finance and the Head of Planning & Reporting presented the final draft annual report and accounts, highlighting the narrative amendments and other adjustments made following the various stages of review and the since the distribution of the original draft.	
12.2	The Board was keen to understand the level of audit fee write offs, where the cost of the audit had exceeded the fee. The Head of Finance explained that she anticipated that forecasting would improve as an outcome of the resourcing project which would provide real time information on planned and actual resourcing, and fees were reviewed on the basis of that data. The EDAS explained that a review was carried out at the end of an audit to identify the reasons for exceeding budgets and decide whether to write off or charge an additional fee.	
12.3	On the strength of the assurances received, subject to the amendments agreed and the addition to the information governance section, the Board recommended that the Accounting Officer should sign the annual report and accounts for 2021-22 and the letter of representation. The Board agreed that the Auditor General and the Board Chair would review and approve the forewords.	AGW / Chair
12.4	The Board recorded its thanks to those involved in preparing and auditing the annual report and accounts.	
13	Five-year strategy	
13.1	The EDCC presented the final version of the five-year strategy for approval, and outlined proposals for measuring and monitoring performance against the strategy. She explained that a dedicated area on the Hub would hold the strategy, delivery and business plans and relevant links.	
13.2	<p>The Board noted that:</p> <ul style="list-style-type: none"> the five-year strategy would be delivered through the annual plan and regular performance updates would help inform corrective action if required – the Board planning group would plan the format for performance reporting, with relevant extracts from the interim and annual reports forming part of the quarterly updates to the Board; and if the annual plan was used to report against the strategy, then it would need to align with the strategy, and this should be clearer in the 2023-24 annual plan. <p>The Head of Planning and Reporting clarified that reporting against the annual plan included the reporting for statutory requirements and it might be helpful to include the road map for each year of the strategy in the</p>	Board planning group

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	related annual plan, with regular reflection to ensure that Audit Wales was on track.	
13.3	<p>The Board approved:</p> <ul style="list-style-type: none"> • the five-year strategy, subject to minor corrections; • the outcome statements; and • the proposed process for monitoring and reporting progress through the Interim and Annual Reports. 	
14	Equality Report	
14.1	The Head of Planning & Reporting introduced the draft Equality Report for 2021-22. He outlined the duty on the Auditor General and Wales Audit Office to report annually on compliance with the General Duty of the Equality Act and on progress towards achievement of the equality objectives. He advised that this year's report was earlier than in previous years and suggested that it was published alongside the new Strategic Equality Plan in the summer.	
14.2	<p>The Head of Planning and Reporting explained that overall progress had been effective in the steps taken to meet the equality objectives and highlighted:</p> <ul style="list-style-type: none"> • the reduction in the gender pay gap • the range of impact assessments that had been conducted and that these had not flagged any significant concerns; and • that this was the final report against the current Strategic Equality Plan. 	
14.3	<p>The Board discussed:</p> <ul style="list-style-type: none"> • incorporating a reflection of what had been achieved against the Strategic Equality Plan in the foreword; • extending the section on the ethnicity pay gap to explain that more applications were being received from Black, Asian and minority ethnic applicants, but more work was needed to fully understand why these were not translating into appointments. <p>The Head of Planning and Reporting would develop the report to reflect the Board's comments.</p>	HoP&R
14.4	The Board authorised the Chair and Auditor General to finalise the forewords to the report and, subject to minor amendments, approved the draft equality report for publication	Chair / AGW
14.5	The Board thanked the Head of Planning and Reporting for his work and support, and wished him well in his forthcoming secondment.	
15	Governance review: constitutional documents and schemes of delegation	
15.1	The Board Secretary presented a paper outlining her approach to reviewing the Board's governance documents. She drew the Board's attention to the comments in the audit findings report in management of the quorum and the recommendation from the Audit & Risk Assurance	

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	Committee that the Board review and confirm its process and risk appetite for managing the quorum at its meetings.	
15.2	The Board discussed the risks of failing to model best practice and potential challenge in the event that the Board did not meet the legal requirements for meeting the quorum. The Board agreed that it was important to maintain the employee member perspective and input at its meetings and noted that its terms of reference presented options for the Board Chair to consider when decisions were required. The Board was content with the approach adopted for managing the quorum.	
15.3	<p>The Board</p> <ul style="list-style-type: none"> • noted the update and the plan for a full review of governance documents in autumn 2022; • adopted its revised terms of reference; and • approved the proposed link and champion roles and appointments, noting that the link for cyber security would be appointed following the cyber security workshop in July. 	Chair
15.4	<p>In relation to the Auditor General and Wales Audit Office Schemes of Delegation, the Board Secretary explained that:</p> <ul style="list-style-type: none"> • the Auditor General's scheme was presented for consultation with the Board; and • the Wales Audit Office scheme was presented for approval by the Board. <p>The EDCS had provided his advice, as ethics partner, on the proposed changes to the Auditor General's Scheme of Delegation, which, if made, would require consequential changes to the Wales Audit Office Scheme.</p>	
15.5	The Board noted that it had been consulted on, and was content with, the proposed changes to the Auditor General's scheme of delegations. The Auditor General confirmed that he would implement the changes to his scheme as outlined in the draft attached as paper WAOB(64)-22-014(c).	
15.6	The Board approved the changes that would be required to the WAO Scheme of Delegations pursuant to the Auditor General implementing the changes to his scheme.	
16	Preparatory discussion for meeting with the trades unions	
16.1	The EDCS updated the Board on his discussions with the trades' unions in preparing for their annual meeting with the Board and outlined the topics that he anticipated the trades unions might wish to discuss. He confirmed that he has asked the Chairs of the trades' unions to prepare a paper outlining the discussion topics ahead of the meeting.	
16.2	The Chair noted that there would be a further opportunity to plan for the meeting with the trades unions at its strategic meeting in July, and that it would be helpful to have sight of the trades unions paper ahead of that meeting if possible.	

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17	Any other business	
17.1	The Chair noted that Anne Beegan would write the blog drawing on the five key messages which the EDCC would circulate. Anne would include a reminder that the Board welcomed staff observers to its meetings.	AB / EDCC
17.2	Elinor Gwynn highlighted a GPX event on wayfarers and tracking performance. The Board Secretary would circulate information to members.	BS
18	Review of the forward work programme	
18.1	The Board discussed its forward work programme which the Board Secretary would update.	BS
19	Review of the meeting	
19.1	The Board welcomed feedback from the independent member of the Audit & Risk Assurance Committee and members of staff observing the meeting, which recognised: <ul style="list-style-type: none"> • a well-conducted, open and honest meeting; • in depth consideration and discussion of items; and • an inclusive approach, taking account of and listening to the views of all. 	
19.2	In reviewing the meeting, the EDCC welcomed the Board's clear focus in considering the Future Workplaces paper, and appreciated the trust demonstrated by the Board for the work carried out by management.	
20	Date of next meeting	
20.1	Strategic Meeting – 19 July 2022; Business and Meeting with the Trades Unions 27 July 2022	