

Wales Audit Office Board
Minutes of the meeting on Tuesday 19 July 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
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:

Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
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In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Katherine Drysdale	Board Secretary (minutes)
Amanda Jenkins	Planning & Reporting Specialist
Chris Bolton	AD&G Manager Research & Development (items 1 to 3)
Nicola Evans	Head of Finance (items 1 to 4)
Ceri Hughes	Change Programme Manager (items 1 to 4)
Gary Emery	Audit Director

Item	Agenda
1.	Chair's welcome and apologies for absence
2.	Horizon scanning
3.	Estimate and fee scheme strategy
4.	Blank sheet risk review
5.	Preparatory discussion for meeting with the trades unions
6.	Any other business
7.	Date of next meeting: 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. There were no apologies for absence.	
2.	Horizon Scanning	

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2.1	The Chair explained that the purpose of the horizon item was to provide a deeper understanding of Audit Wales' operating environment, the key influences and developments affecting its operation and the delivery of the Auditor General's work programme. The approach taken was that of 'One Audit Wales'.	
2.2	The EDCC presented a paper outlining the horizon scanning activity undertaken by a range of functions at Audit Wales, its context and purpose. She invited the Board's input and engagement to the outcomes of a review of that work as outlined in the accompanying presentation.	
2.3	<p>The Board discussed the key themes from the review and their implications for the delivery of the Auditor General's work programme and for running the business.</p> <p>Climate Change – fair and just transition to net zero</p> <p>The Board noted that:</p> <ul style="list-style-type: none"> • climate change and the biodiversity duty were separate issues, albeit interwoven, and the Auditor General confirmed that he would take account of that in developing his work programme; • the potential resource implications for delivering specific pieces of work where specialist skills or knowledge might be required; • the EDCC would shortly report on Audit Wales' progress in respect of the biodiversity duty; and • the EDCC would provide a copy of a paper prepared on the biodiversity duty by the Head of Planning and Reporting for inclusion in the Board reference library. <p>The Board discussed how it, and authors of papers, might develop their thinking and approach to decision making to take a proactive approach to moving towards net zero. The AD&G Manager would provide relevant reference material for inclusion in the Board reference library.</p> <p>Equalities – responding to demands for a fairer and more equal society</p> <p>The Board briefly discussed equalities, diversity and inclusion which it had considered in detail during its review of the draft Strategic Equality Plan, recognising the value of driving positive change.</p> <p>Constitution – managing the opportunities and risks of new relationships within the UK</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the implications of the relationship between Welsh Government and UK government for the audit programme, for example, tracking and auditing funding from central government; • the funding and resource implications of new or additional work resulting from the creation of new bodies and the wider application of legislation such as the Wellbeing of Future Generations Act; and 	<p style="text-align: center;">EDCS</p> <p style="text-align: center;">AD&GM</p>

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	<ul style="list-style-type: none"> • the importance of maintaining audit independence in a complex political environment. <p>Pressures on public finances and longer-term COVID-19 impacts</p> <p>The Board noted the pressures and uncertainties surrounding public finances and discussed:</p> <ul style="list-style-type: none"> • the impact on the Auditor General’s work programme which would have a particular focus on value for money for the people of Wales, including on matters of waste and fraud, with WCF funding used for thematic cross cutting work; • the impact of uncertainty for the funding of all public bodies in Wales, including Audit Wales; and • the risks of operating in the business in the face of funding pressures and the longer-term impact of the pandemic on staff. <p>Systems and culture and how to support new approaches to service delivery</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the implications of the Estimate and achieving the funding to deliver the work programme; • ensuring the organisation has the right people with the right skills and knowledge to deliver the work programme, recognising the need to explore what a future modern workforce will look like; • the resourcing needed to establish relationships and processes with new audited bodies upon their set up; • the uncertainty of Audit Wales’ role in respect of bodies or companies receiving public monies to deliver public services; • prioritising and planning different types of work and collaboration to maximise the use of resources available; • how the work programme could be used to inspire good practice (e.g., through the GPX) without overstepping Audit Wales’ functions; • the potential for exploring the remit of Audit Wales in the future to maximise the use of the information and intelligence gathered by the Auditor General in the delivery of his work; and • the need for the Board to have appropriate and sufficient understanding of the operating environment to inform its decisions. <p>Collaborative working</p> <p>Long-term financial and service planning and prevention</p> <p>The Board noted the importance of:</p> <ul style="list-style-type: none"> • taking a long-term view in forward planning; and • applying the sustainable development principle in decision making. <p>Harnessing digital technology to make services more accessible</p> <p>Using data and information to learn and improve across the whole public service system</p>	

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	<p>Developments in the audit landscape</p> <p>The Board discussed:</p> <ul style="list-style-type: none"> • the practical and financial implications of a potential change in the supervision arrangements for the Auditor General, noting the increased emphasis on audit quality and recognising the importance of effective scrutiny; and • evolving demands for audits to reflect changes at and requirements on audit bodies, e.g., around quality, pensions and valuation of assets, with the development of a risk-based audit approach <p>In response to a question on the value for money framework, the EDAS would look to provide an information session to develop understanding.</p>	EDAS
2.4	The AD&G manager outlined his proposed approach to horizon scanning which would draw on the collective work and understanding of the teams carrying out this work. He intended to consider each area in more detail and carry out benchmarking activity to inform the use of horizon scanning outputs to support decision making.	
2.5	The Board agreed that the Board Chair, Board Secretary, Planning & Reporting Specialist and EDCC would liaise with the AD&G Manager to plan the format and frequency of horizon scanning reviews and updates for Board.	Chair, BS, P&RS, EDCC, AD&GM
3.	Estimate and Fee Scheme Strategy	
3.1	<p>The Head of Finance presented a paper, supported by a presentation, outlining the proposed timetable and parameters for the preparation of the Estimate and Fee Scheme 2023-24. She outlined the key messages in the letter from the Minister for Finance and Local Government regarding public finances which provided context for the development of the draft estimate, including:</p> <ul style="list-style-type: none"> • forecast deterioration in UK economic growth and low cash growth which, when set against inflation, would see real terms reductions; • uncertainty regarding UK government funding and Welsh Government budgets; and • the potential for increases to the pay bill to be managed within existing resources. 	
3.2	The Head of Finance outlined the headline increases in the draft Estimate and the potential investment requirements to meet the ambitions set out in our 5-year strategy. She explained that as a Supplementary Estimate was planned to cover the Future Workplaces costs the capital budget was expected to be maintained at the current level for 2023-24.	
3.3	<p>The Board discussed:</p> <p><u>Savings</u>, stressing the need to identify the specific savings that could be implemented in the event that pay rises had to be funded internally.</p> <p><u>Fee increases</u>, noting that increases for audited bodies would reflect both increased fee rates and the use of a richer skills mix on audits following</p>	

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	<p>changes to auditing standards, and that fee increases could impact on relationships with audited bodies.</p> <p><u>Switch from fees to WCF funding</u> which would provide funding for cross cutting work across all bodies / sectors.</p> <p><u>Chargeability</u>, noting that the ELT had adjusted chargeability targets to align to outputs more closely; and considering the potential to review and change targets to create savings, recognising that such changes would impact staff.</p> <p><u>Pay awards</u>, discussing affordability and expectations of staff; early engagement with the trades unions; benchmarking against the market and audit bodies; and how increases in pay could be funded.</p> <p><u>Travel time and travel / subsistence costs</u>, recognising the balance between making savings and delivering high quality audits through effective team working and appropriate interaction with client bodies.</p> <p><u>Travel centres</u>, noting the impact of claims from home centres.</p> <p><u>Cyber security</u>, noting the provision for the retention of specialist services to provide support in the event of a breach.</p> <p><u>Translations</u>, noting the reduction of costs to reflect the development of shorter, sharper reports.</p>	
3.4	<p>The Chief Executive explained that assumptions on savings would be built into the Estimate narrative, though detail on additional savings could be explored and options provided for Board to consider if required. The Head of Finance acknowledged an offer from Alison Gerrard to provide an independent view on the draft Estimate as it was developed.</p>	HoF / AG
3.5	<p>The Board was content with the basis on which management would:</p> <ul style="list-style-type: none"> • prepare the joint estimate and draft fee scheme for 2023-24 for further consideration at its September meeting, and • consult on a revised fee scale <p>as outlined on the paper reference WAOB(63)/23/003.</p>	
4.	Blank Sheet Risk Review	
4.1	<p>The Planning and Reporting Specialist invited members, and those present, to participate in a dynamic review of current risks informed by the earlier sessions on horizon scanning and the estimate strategy.</p>	
4.2	<p>The Board discussed the strategic risks facing Audit Wales, taking account of internal and external factors influencing its operating environment.</p>	
4.3	<p>The Planning & Reporting Specialist would collate the outputs and provide a brief summary to the Board as part of the performance report to its business meeting in July. The full outputs of the session would then be developed for incorporation into an updated version of the strategic risk and assurance framework for discussion by the Board at its meeting in September 2022.</p>	P&RS
5.	Preparatory discussion for meeting with the trades unions	

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5.1	The EDCS updated the Board on the content, tone and outcomes of the discussions between the ELT and the trades unions. He explained that he expected that the trades union would be keen to explore similar topics with the Board.	
5.2	The EDCS explained that he was meeting the trades unions representatives to review their presentation and he would encourage them to consider how they might present their perspective so as to have a productive discussion with the Board. The EDCS and Chair would also meet to consider the key areas to cover on each topic and would circulate a note to members.	EDCS / Chair
6.	Any Other Business	
6.1	The EDCS provided a brief update on the Future Workplaces project. He explained that a recommendation would be made for a move to premises which met the criteria set by the Board and, while not the cheapest, had emerged as the premises which would best support future working.	
7	Date of next meeting	
7.1	Board Meeting with the Trades Unions, 10am, Wednesday 27 July 2022 Board Business Meeting, 11am Wednesday 27 July 2022	