

Wales Audit Office Board
Minutes of the meeting on Tuesday 20 September 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
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:

David Francis	Non-executive member and Senior Independent Director
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In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Katherine Drysdale	Board Secretary (minutes)
Ceri Hughes	Change Programme Manager (item 2)
Nicola Evans	Head of Finance (items 1 to 4)
Matthew Edwards	Audit Director (items 1 to 4)

Item	Agenda
1.	Chair's welcome and apologies for absence
2.	Indicative Annual Plan
3.	ISA315 – Impact and Implementation
4.	Draft Estimate and Fee Scheme
5.	Any other business
6.	Date of next meeting
7.	Board – ELT development (private session)

Item	Minutes	Action
Standing Items		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance. She noted an apology for absence from David Francis.	
1.2	The Chair noted that in the absence of David Francis the meeting would not be quorate. In accordance with the Board's Terms of Reference this meeting would be for the purpose of informal discussions only and any decisions would be deferred to the business meeting on 27 September 2022.	

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2.	Indicative Annual Plan	
2.1	<p>The Change Programme Manager presented a paper outlining the process for development of the Annual Plan for 2023-24 and associated Key Performance Indicators (KPIs). She explained that:</p> <ul style="list-style-type: none"> • early development of the Annual Plan would support its alignment with the Estimate; and • the format of the Annual Plan was intended to align structurally and thematically to the Five-Year Strategy. 	
2.2	<p>In response to a question on delivery of the Annual Plan, the Change Programme Manager explained that local business plans had been developed with priorities identified for each area of the organisation. The business planning process could however be improved to incorporate key milestones for delivery and to provide a clear link (golden thread) from day-to-day business, through to the business plans and then to delivery of the Annual Plan and Five-Year Strategy.</p>	
2.3	<p>The Board discussed the proposed structure of the draft Annual Plan and suggested the inclusion of some narrative to explain progress against delivery of the current Annual Plan and highlight significant emerging issues or need for change in approach. The EDCC explained that a brief narrative would be valuable, but she was keen to ensure that the Annual Plan did not replicate the form or content of the Annual Report and Accounts which provided the detailed commentary on progress. The ELT would consider how to reflect significant issues and challenges in a brief informative narrative so as to give a sense of progress, noting that such issues were likely to emerge during the year through the quarterly performance reports.</p>	ELT
2.4	<p>The Board considered the content of the draft Annual Plan, in particular:</p> <ul style="list-style-type: none"> • targeted and impactful communications and the inclusion of more context to demonstrate the purpose of, and strategic approach to, communications activity with different audiences. The Board noted that work was underway to map stakeholder relationships to maximise external impact and, as a separate strand, to attract people to work for Audit Wales through delivery of the People and Organisational Development Strategy; • GPX provision, and whether this would fit better in the culture thread. The Board noted that, whilst relevant in terms of culture, GPX had a stronger emphasis on maximising the external reach and impact of the Auditor General's work, focusing on the fundamental issues impacting the public sector in Wales; • Welsh language, noting that a new Welsh language officer had been appointed and was conducting a review to identify areas of strength and any gaps to inform the development of the new Welsh Language 	

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	<p>strategy which he would take forward with input from, and engagement with, the existing Welsh language network;</p> <ul style="list-style-type: none"> • how strategic risks and opportunities had informed the plan, and the potential for developing the operating environment section to be more explicit; and • how the operating environment section should reflect significant current issues. In the process of developing the draft Annual Plan, the Change Programme Manager would review the themes included to ensure that they were current. The Board noted that this section was also expected to reflect a longer term, more thematic approach to developing the audit work programme. 	
2.5	<p>The EDCC explained that the review of KPIs would focus on providing a suite of measures to effectively support both running the business and delivery of the Auditor General's work programme, reflecting the operating environment, key priorities and change in approach of the audit work programme.</p>	
2.6	<p>The Board thanked the EDCC and Change Programme Manager for the early development work on the draft Annual Plan and asked that the Board be kept informed on the direction of travel for both the draft Annual Plan and supporting KPIs.</p>	
3.	ISA315 – Impact and Implementation	
3.1	<p>The EDAS presented an update on the new ISA315 and ISA330 auditing standards so as to update the Board and inform its consideration of the draft Estimate for 2023-24. She outlined the:</p> <ul style="list-style-type: none"> • key changes in auditing approach; • impact and potential risks for Audit Wales; and • activity conducted and underway to manage implementation and mitigate potential risks. 	
3.2	<p>The EDAS explained that:</p> <ul style="list-style-type: none"> • Audit Wales' approach was informed by the experiences of the National Audit Office and Audit Scotland pilots of the new approach, as well as outputs from the audit firms, which indicated a significant increase in risk assessment activity and the need for a richer skills mix in year one of implementation, as reflected in the draft Estimate; and • significant work would take place between January and March each year to carry out risk assessments and establish skill and resourcing requirements. 	
3.3	<p>The Board discussed:</p> <ul style="list-style-type: none"> • how audited bodies could be prepared for the new approach, noting that Directors were updating audited bodies on the new approach and its impact, including the areas where more questions might be asked and to highlight the importance of demonstrating good governance and strong risk management; 	

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	<ul style="list-style-type: none"> • the timing for implementation and whether sufficient time had been allowed to ensure resources were available and in place, particularly if external recruitment was needed in a competitive job market. The Board noted that options for resourcing included trainees in years 3 and 4 of their programme and the use of existing seasonal contractors; • the accuracy of projections for additional charges, noting that costs incurred and charged this year could inform the implementation next year, but some uncertainty was unavoidable at this point in time; • whether Audit Wales would be able to deliver audits on time, noting that templates and methodologies were in place and that deadlines would be kept under review as planning progressed; • how to ensure a proportionate and consistent approach, noting that this would be supported through ongoing training and supervision, a process of review to learn lessons and audit quality arrangements; and • the approach to assessing risk which would be informed by intelligence from both financial and performance audit teams. 	
3.4	The Auditor General explained that he was fully aware of the potential impact and plans for implementation of the new standards and was assured by the approach being led by the EDAS.	
3.5	The Board thanked the EDAS for the update and the opportunity for it to understand and explore the implications for Audit Wales.	
4.	Draft Estimate and Fee Scheme	
4.1	<p>The Head of Finance presented a paper outlining :</p> <ul style="list-style-type: none"> • the timetable, context and content of the draft Estimate for 2023-24; • additions made to address Finance Committee recommendations; • how the draft Estimate reflected the approach discussed by the Board in July 2022; • the anticipated changes to WCF funding between 2022-23 and 2023-24; • the budget for 2023-24 and related risks; • the anticipated impact of changes to auditing standards including ISA315; • initial responses to, and feedback to audit directors on, the fee scheme consultation; • the areas yet to be incorporated in the draft Estimate, including the impact of IFRS16, the fee scale consultation and the consultation on changes to the Wellbeing of Future Generations Act; and • the Medium-Term Financial Plan. 	
4.2	<p>The Board discussed the provision for pay awards:</p> <ul style="list-style-type: none"> • whether this would be sufficient and/or appropriate taking account of both increasing costs of living and the trades unions' demands; 	

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	<ul style="list-style-type: none"> • how it compared to other Directly Funded Public Bodies and other public audit bodies including across a two-year timeframe; and • how any pay increases above the budgeted amount could be funded, recognising that the WCF funding would not cover it and further savings would be difficult to achieve. <p>The Board expressed its wish to support staff and noted that management had discussed the preparation of the Estimate with the trades unions, and explained that while the Board was keen to secure as much funding as possible for salaries, Finance Committee was unlikely to support funding that was out of line with comparators or the wider public sector. The Board noted that a decision on the level of funding to be sought for pay awards would be required at its meeting on 27 September.</p>	
4.3	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • the proposed shift in funding between the WCF and fees and how a compelling narrative could highlight the value, to the public sector and people of Wales, of a rolling programme of more focussed thematic and cross cutting work; and • developing granularity on proposed costs savings, to include detail of any projected costs avoidance and the impact of staff efficiencies. 	
4.4	<p>The Head of Finance would take account of the Board's discussion in developing the Estimate for consideration and decision at the Board business meeting. She invited members to provide any further input by email ahead of that meeting.</p>	
5.	Any Other Business	
5.1	There was no other business.	
5.2	The Board noted the Audit Director's feedback on his experience of the meeting.	
6.	Date of next meeting	
6.1	Board Business Meeting, 10am Tuesday 27 September 2022	
7.	Board – ELT Development (private session)	
7.1	The Board and ELT participated in a short development session building on the themes from the development day in May.	