

Wales Audit Office Board
Minutes of the meeting on Tuesday 27 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
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	Nominated Employee member and Executive Director of Corporate Services (EDCS)

Apologies: Anne-Louise Clark, Executive Director of Communications and Change (EDCC)

In attendance:

Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Katherine Drysdale	Board Secretary (minutes)
Amanda Jenkins	Planning & Reporting Specialist (items 8 and 11)
Aneesa Ali	Audit Lead (item 9)
Ceri Hughes	Change Programme Manager (items 8 and 11)
Nicola Evans	Head of Finance (items 7 and 8)
Terry Jones	Audit Manager (item 9)
Tom Haslam	Audit Manager (item 9)

Observers:

Gary Emery	Audit Director
Kathryn Davies	Senior People and Organisation Development Manager
Tracy Veale	Audit Manager

Item	Agenda
1	Chair's welcome and apologies for absence
2	Declarations of interest
3	Review of minutes: Board meetings 19 and 27 July 2022
4	Review of action tracker
5	Report of the Chief Executive and Auditor General
6	Chair's update
7	Estimate 2023-24
8	Integrated Performance Report
9	Audit Quality
10	Report from the Audit & Risk Assurance Committee 13 September 2022
11	Interim Report: structure and timetable
12	Any other business
13	Review of the forward work programme
14	Review of the meeting

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Item	Agenda
15	Date of next meeting: Business Thursday 24 November 2022; Development Monday 05 and Tuesday 06 December 2022

Item	Minutes	Action
Standing Items		
1	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance, noting an apology for absence from Anne-Louise Clark.	
1.2	Elinor Gwynn would write the meeting blog, incorporating key messages captured by the EDCC for the strategic meeting on 20 September and the EDCCS for the business meeting on 27 September.	EG
2	Declarations of interest	
2.1	There were no declarations of interest.	
3	Review of minutes: Board meetings 19 and 27 July 2022	
3.1	The Board approved the minutes of its meetings on 19 and 27 July 2022 as an accurate record.	
4	Review of action tracker	
4.1	<p>The Board received updates against actions which the Board Secretary would reflect on the tracker, including:</p> <ul style="list-style-type: none"> • WAOB/21/061 (Strategic Risk Register): amend target completion date to December 2022, members reminded to provide feedback to inform the development of the risk and assurance reporting framework. • WAOB/22/010 (GPX Event): close as event has taken place. • WAOB/22/013 (Biodiversity Duty): reminder for AD&G Manager to provide information for the reference library. • WAOB/22/021 (Integrated performance Report): close, as task and finish group review has taken place and report will now develop incrementally with input from the group if and when required. • WAOB/22/022 (Health & Safety): close as review and reporting on leave balances and associated risks form part of planned business via reports to R&HRC and Board. 	BS
5	Report of the Chief Executive and Auditor General	
5.1	<p>The Auditor General and Chief Executive presented his report and drew members' attention to:</p> <ul style="list-style-type: none"> • the relaunch of the survey support function to serve as a centre of excellence for survey development and advice, with processes embedded to address survey related concerns raised in the DPO's report to Board in November 2021; • the work of the new Welsh Language Officer to consider findings from a Welsh Language Commissioner mystery shopper exercise and carry out his own gap analysis of compliance and performance against the Welsh Language Strategy. The AGW suggested that it would be 	

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	<p>would be expected through the next DPO report to the Board in November;</p> <ul style="list-style-type: none"> • the timing for implementation of, and training for, the Time and Resource Management system, noting that the EDAS would look at developing communications to keep staff informed and engaged with the roll out; and • the change programme update on travel centres, noting that informal discussions with staff were underway to seek feedback on developing proposals which would progress in the usual way through the ELT then the Remuneration & HR Committee for recommendation to the Board, prior to opening a formal consultation process with staff. 	EDAS
5.5	The Board otherwise noted the report.	
6	Chair's Update	
6.1	The Chair presented her written report and updated members on the questions raised by Finance Committee on the management of the quorum. She reminded the non-executive members of the impact of their absence on the quorum and asked that they check their availability for meeting dates planned for 2023-24 and once final dates are agreed commit to attend in the absence of exceptional extenuating circumstances.	
6.2	The Board noted the report.	
7	Estimate 2023-24	
7.1	<p>The Head of Finance presented a paper:</p> <ul style="list-style-type: none"> • outlining the changes made to the draft Estimate following discussions at the strategic meeting on 20 September; • seeking the Board's input on any further changes; and • asking that the Board authorise the Chair and Auditor General to approve the final version of the Estimate for 2023-24 for laying before Finance Committee at the end of October. 	
7.2	<p>The Board reviewed the Draft Estimate.</p> <p><u>Funding Increase</u></p> <p>The Board discussed the level of funding needed to cover the impact of new auditing standards (recognising the current uncertainty around resource requirements for implementation) and the pay settlement. While the Board agreed that some headroom would be prudent, this should be guided by necessity and take account of any mitigating activity that might help manage costs. The EDAS reported that she would be writing to audited bodies to explain how they could help mitigate fees by working with the audit teams to provide good quality and timely information. The Board noted that the final level of overall increase would be benchmarked against the funding levels sought by the other Directly Funded Public Bodies, and agreed that the total increase in WCF sought by the WAO should be no more than 5.5%.</p> <p><u>Savings</u></p> <p>The Board noted that the Estimate incorporated parameters for savings levels, but that the detail would emerge from a review by the ELT and budget holders in early 2023 and this would be reported to the Board in</p>	

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	<p>March 2023. The review would include consideration of activities that were not central to audit delivery and whether these could be deferred, or a compliance-based approach adopted.</p> <p><u>Fee Scheme Consultation Responses</u></p> <p>The Board was keen to see the responses to the fee scheme consultation acknowledged and responded to within the Estimate, recognising the pressures on audited bodies. The Board suggested that the Estimate include:</p> <ul style="list-style-type: none"> • an explanation of how the organisation had sought to absorb costs to avoid or limit fee increases in previous years, was unable to continue to do so in the face of inflationary pressures and was looking to mitigate increases where feasible; and • examples of the value of the fee increase for typical bodies and the increase as a proportion of public sector expenditure to give perspective on the values involved. <p><u>Chargeability levels</u></p> <p>The Head of Finance explained that increasing chargeability could reduce the percentage increase in fee rates. However, the Board recognised that chargeability targets had been set at a higher level than last year, and further increases were unlikely to be achievable without a change to our ways of operating or having a negative impact by increasing pressure on staff.</p> <p><u>Fees to Funding Switch</u></p> <p>The Head of Finance explained that a letter had been received indicating that the Finance Committee would not agree to a proposed switch from fees to WCF funding without formal support from the Welsh Government. The Welsh Government had raised questions about the proposed switch and the Auditor General would respond to those as soon as possible. The Board noted that the intention of the switch in funding was to support delivery of the five-year strategy through the delivery of longer term, thematic cross cutting work. The Board agreed that in the event that the Welsh Government did not approve the switch between fees and WCF funding that request would be withdrawn from the Estimate.</p>	
7.3	<p>The Board was content for the Head of Finance to prepare a final draft Estimate taking account of its further discussions. The Board authorised the Board Chair and the Auditor General to approve and sign the Estimate for 2023-24 for laying before Finance Committee by the end of October 2022, taking account of the parameters agreed by the Board.</p>	AGW / Chair
8	Integrated Performance Report	
8.1	<p>The Change Programme Manager presented a paper providing an update on the current areas of focus for the ELT, the financial position to the end of August and resource management.</p>	
8.2	<p>The Head of Finance explained that the amber financial health rating reflected the year end deficit currently forecast. She explained that she was monitoring the situation closely and had asked budget holders to identify where savings could be released.</p>	

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8.3	The Board sought assurance that appropriate and timely mitigating action was in place to address the deficit and noted that the September figures would provide a clearer understanding of the income expected by year end. As part of its usual business the ELT would review the forthcoming financial reports and plan any action necessary. The Board welcomed the concise update as part of the integrated report but indicated that further context in the report to the Board in November might help provide appropriate assurance in the event of a forecast deficit.	
8.4	In response to a question, the Head of Finance explained that the changes to National Insurance were expected to result in a saving of approximately £50,000. Whilst she would not expect to return that amount through a Supplementary Estimate, she would await direction from Finance Committee.	
8.5	<p>The Board thanked the EDCC for this version of the integrated report format which would be developed to provide the full quarter 2 update in November. The Board provided feedback on the form and content of the report, in particular:</p> <ul style="list-style-type: none"> • the content and timing for presenting resourcing data effectively, noting that as a current strategic risk, the ELT intended to prioritise resourcing as an area of focus; • providing clarity on the linkages between the data included in, and underlying the report, with the five-year and other strategies, noting that the overarching report was intended to provide a focus on the key issues and provide assurance at a strategic level; and • providing a stronger view from the ELT to draw the Board's attention to key areas of concern for Board input. <p>The Chair would review the content and presentation of resourcing data with the EDAS. The Board would then review the content and format of the integrated report following the Quarter 2 version which it would receive at its meeting in November.</p>	Chair / EDAS
8.6	The Planning & Reporting Specialist presented a paper updating the Board on the refreshed suite of strategic risks which took account of the annual blank sheet risk review.	
8.7	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • 21/008 (retention of staff) and 21/018 (staff sickness absence) and whether the wording accurately reflected the true risks. • 21/007 (audit staff recruitment and retention) which appeared to overlap with 21/008 and whether there was a suitable plan to mitigate. • staff engagement and whether this should be included on the register as a separate risk, as this continued to be an area of focus. <p>The EDCS would review the risks and areas discussed and provide an update for the next report to Board in November.</p>	EDCS
8.8	The Board noted that approximately half of the risks on the register were people related and that the Audit and Risk Assurance Committee might consider that wider perspective.	

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8.9	The Board noted the integrated performance report and was content that the refreshed suite of strategic risks adequately represented the key risks facing Audit Wales.	
9	Audit Quality	
(a) annual report		
9.1	The EDAS introduced a paper presenting the second annual quality report in the revised format, which took account of feedback on the first iteration of the report including the incorporation of case studies. 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.	
9.2	In his role as Chair of the Audit Quality Committee, the EDCS commented that the report reflected the benefits of additional investment in audit quality and that it would be important to build on audit quality which was at the heart of the Auditor General's work programme.	
9.3	The Audit Lead briefly outlined the structure and purpose of the report, and the next steps in sharing the report internally and publishing it externally.	
9.4	<p>The Board noted that, in response to questions raised ahead of the meeting, the EDAS had provided an additional briefing note for members which would be appended to the pack as part of the record of the meeting. The Board discussed the number of cold reviews, whether that sample accurately reflected the population and how additional context could be included to provide a better understanding particularly when viewed against the annual plan KPI. The EDAS briefly outlined Audit Wales quality assurance regime, which included Engagement Quality Control Reviews, themed reviews, moderation, peer report review as well as cold reviews. She explained that:</p> <ul style="list-style-type: none"> • she was satisfied that the wider methodology, the engagement of QAD (professional quality reviewers), the internal Audit Quality Committee and involvement of a Board link member provided overall assurance on quality; • in 2020-21 the four cold reviews represented 6.7% of the population (effectively one audit per Financial Audit Director) but a revised approach adopted for 2021-22 would see that increase to 8%; • while it was difficult to directly benchmark against other public audit bodies our approach was comparable; and • extending the sample size would mean a significant increase in costs. 	
9.5	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • the audit quality framework, including internal and external reviews and the number of reviews; • the KPI for audit quality and whether this should be maintained for consistency of reporting; • the post project learning process, which took account of feedback from audited bodies and how learning from quality reviews was disseminated; 	

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	<ul style="list-style-type: none"> • whether internal and external reviews on the same area could be carried out to identify any internal positive bias or discrepancies, noting this had been done previously and had not raised any issues of note, and using staff from outside the practice to conduct internal reviews helped provide an impartial view; and • whether an additional paragraph on communications could be added to highlight the importance of integrating quality into audit work. 	
9.6	The Board welcomed and noted the report.	
(b) impact of audit		
9.7	<p>The Audit Manager (TH) gave a presentation on the impact of audit which outlined:</p> <ul style="list-style-type: none"> • research carried out on the impact of audit, and a summary of the key findings; • how to measure and report impact and how to increase impact and the implications for Audit Wales; • the ten good practices to demonstrate impact; • what other audit offices do; • how Audit Wales compares and what it would do in areas of focus including: <ul style="list-style-type: none"> ○ strategic work programme; ○ improving our recommendations; ○ strengthening follow-up; ○ improving project learning; and ○ potential next steps for Audit Wales 	
9.8	The Audit Manager referred members to the ELT paper on Impact of Audit (available in the Board reference library) for more information and indicated that he would be happy for members to contact him with any questions or comments.	
9.9	The Board thanked the Audit Manager for a thorough and informative presentation.	
9.10	The Board noted that the EDCS would report any relevant information or learning from his quarterly meetings with the Chief Operating Officers of the other public audit bodies.	
10	Report from the Audit & Risk Assurance Committee	
10.1	The Chair of the A&RAC presented his report of the Committee's meeting on 13 September. He explained that the Committee intended to conduct its next strategic deep dive into an area where overall levels of assurance were low. He would update the Board virtually when he had determined the proposed topic to be covered.	IR
10.2	The Chair of the A&RAC explained that the external audit appointment would end in November 2022 and updated the Board on the process for procuring a new supplier. He explained that although only one bid had been received, on assessment both value for money and quality were demonstrated, notwithstanding an increase in the fee which reflected the market.	

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10.3	The Board briefly discussed the low level of submissions, noting that the Audit Wales contract was of a relatively low value in a very competitive market.	
10.4	On the recommendation of the Committee, the Board agreed that it would make a recommendation to the Senedd Finance Committee for the appointment of RSM as the external auditor for the Wales Audit Office for an initial four-year period commencing on 02 November 2022, with an option to extend the term annually thereafter up to a total duration of 7 years.	
10.5	The Board otherwise noted the report.	
11	Interim Report: structure and timetable	
11.1	The Board considered a paper outlining the proposed structure and timetable for delivering the interim report providing an assessment of progress against the 2022-23 annual plan.	
11.2	The Board was content with the proposal and authorised the Chair and Auditor General to approve and sign the final version of the Interim Report.	AGW / Chair
12	Any other business	
12.1	There was no other business.	
13	Review of the forward work programme	
13.1	The Board noted its forward work programme which would be kept under review.	
13.2	The Chair reminded members to confirm their availability for the meeting dates proposed for 2023-24 and that in the absence of a response by 07 October 2022 the Board Secretary would assume member availability.	
14	Review of the meeting	
14.1	The Board welcomed feedback from the observers who commented that: <ul style="list-style-type: none"> • there was a high volume of papers, covered with a depth and breadth with a range of perspective offered by members; • information relating to the key issues on the ground at Audit Wales was clearly disseminated and discussed by the Board; • attendance gave a sense of involvement and empowerment; • the Board discussions gave assurance that the work being done by teams was correctly focussed to move the organisation forward; • Board members were highly engaged and operating strategically; and • the Board appeared to cover a lot, and possibly too much, at the meeting. 	
14.2	The Chair emphasised that Board meetings were open for any staff to observe and would welcome staff observers sharing their experiences with colleagues.	
14.3	The Chair noted that the agenda had covered important topics which had taken time to discuss, and this would be given further consideration at the planning stage. She was pleased to see the introduction of the integrated performance report and welcomed an iterative and collaborative approach to its development.	
15	Date of next meeting	

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15.1	Business Meeting: Thursday 24 November 2022 Board & ELT Development: Monday 05 and Tuesday 06 December	