

Wales Audit Office Board
Minutes of the meeting on Thursday 16 February 2023

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
Anne Beegan	Elected employee member
David Francis	Non-executive member and Senior Independent Director (SID)

Apologies:

Elinor Gwynn	Non-executive member
Ian Rees	Non-executive member and Chair of the Audit & Risk Assurance Committee

In attendance:

Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Kevin Thomas	Executive Director of Corporate Services (EDCS)
Katherine Drysdale	Board Secretary (minutes)
Ceri Hughes	Change Programme Manager (item 9)
Nicola Evans	Head of Finance (item 10)
Tom Haslam	AD&G Manager Performance Audit (item 11)

Observers:

Adam Marshall	Audit Lead
Darren Griffiths	Audit Manager
Gareth Lucey	Audit Manager
Helen Goddard	Audit Manager
Jo Austin	HR Partner
Mark Jeffs	Audit Manager

Item	Agenda
1	Chair's welcome and apologies for absence
2	Declarations of interest
3	Review of minutes: Board meetings 24 November 2022 and 26 January 2023
4	Review of action tracker
5	Report of the Chief Executive and Auditor General
6	Chair's update
7	Report from the Remuneration and HR Committee 17 January 2023
8	Report from the Audit & Risk Assurance Committee 13 December 2022 and 27 January 2023
9	Draft Annual Plan and KPIs 2023-24
10	Integrated Performance Report Quarter 3
11	Audit Quality Monitoring Contract
12	Any other business
13	Review of the forward work programme
14	Review of the meeting
15	Date of next meeting: Business - Wednesday 15 March 2023

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Standing Items		
1	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance. Apologies for absence from Elinor Gwynn and Ian Rees were noted.	
1.2	The Chair outlined the quorum requirements and noted that in the absence of Elinor and Ian the meeting would not meet the requirement to have a majority of non-executive members present. In accordance with practices adopted by the Board and affirmed at its meeting on 08 June 2022, she proposed that two employee members, Adam and Darren would observe the meeting and would not participate in any decision making. She would also ask Adam and Darren to leave the meeting for the ratification of her exercise of Chair's action to approve a corrected version of the Fee Scheme for laying, as this decision related to a key external document.	
1.3	David Francis would write the meeting blog, incorporating key messages captured by the EDCC.	DF / EDCC
2	Declarations of interest	
2.1	The Chair noted that the employee members and all staff present had a prejudicial interest in the pay strategy which would be considered at item 9 (Remuneration and HR Committee report). Accordingly, she would ask all staff to leave the meeting for the pay strategy to be considered in private. The EDCCS would remain to present the item and take questions and the Board Secretary would remain to maintain a record of the discussion.	
2.2	The Chair noted that the meeting would not be quorate for that item, and no decisions would be taken. Due to the need for a swift decision on the strategy to enable pay discussion to progress, the Chair proposed exercising Chair's action following the meeting (under paragraph 54 of the Board's Terms of Reference) to engage with the non-executive members and the Chief Executive by email to reach a collective decision if necessary.	
3	Review of minutes: Board meetings 24 November 2022 and 26 January 2023	
3.1	The Board approved the minutes of its meetings on 24 November 2022 and 26 January 2023 as accurate records of the respective meetings.	
4	Review of action tracker	
4.1	The Board reviewed the action tracker which the Board Secretary would update.	BS
5	Report of the Chief Executive and Auditor General	
5.1	The Auditor General and Chief Executive presented his report and updated the Board on: <u>Cardiff office move</u> The move from Cathedral Road to the Capital Quarter had been planned to minimise disruption and would take place between 15 and 17 March, with the new office available for use from Monday 20 March. <u>ELT staff panel</u>	

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	<p>Following a high level of interest in the staff panel role, the Chief Executive had decided to rotate membership to allow all applicants to participate. The panel would have six members with three members leaving and three new members joining every six months – this would give a period of cross over for continuity and allow each member to participate on the panel for a year.</p> <p><u>Road shows</u> Four roadshows had taken place, had been well attended and appeared to have been positively received. At least one Board member was attending each session. The Board noted that the Director and Heads of Service session had included dialogue on a shared approach to leadership.</p> <p><u>Industrial action</u> The industrial action by PCS members on 01 February had taken place with minimal disruption and further strike action was scheduled by PCS for 15 March 2023. The indicative ballot by Prospect suggested that its members were in favour of taking industrial action, but the outcome of the formal ballot had not been announced. The daily financial impact of action involving Prospect members had been assessed but would depend on the numbers of staff and roles involved. The Board noted that this could have a material effect on our financial position and the situation would be monitored closely.</p>	
5.2	<p>The Board discussed the risk of failing to recruit sufficient staff to deliver the new ISA 315 compliant audit approach. The EDAS explained that the ELT had agreed additional roles and approximately half had been filled, with a number of trainees successfully appointed. There had been limited external interest in the roles advertised and she would continue to work with HR to explore how to approach the market. She was also considering, with HR, whether staff could be paid for additional hours worked (should they wish to do that) rather than have time off in lieu of extra hours worked.</p>	
5.3	<p>The Board also briefly discussed the impact of resourcing pressures on deadlines for the delivery of audits, which had been extended. The EDAS explained that while extended deadlines had not been well received by some clients this was a realistic approach and helped to maintain audit quality. She was developing a timeline to realign audit deadlines during the next three years and the Auditor General would be writing to audited bodies to explain those timelines and in respect of the fee increases. The EDAS would also write to Directors of Finance to offer face to face meetings to discuss these matters.</p>	
5.4	<p>The Board otherwise noted the report.</p>	
6	Chair's Update	
6.1	<p>The Chair presented her written report updating the Board on her activity since the last Board meeting.</p>	
6.2	<p>Adam Marshall and Darren Griffiths left the meeting.</p>	
6.3	<p>The Chair explained that she had exercised Chair's action to approve a corrected version of the Fee Scheme 2023-24 for laying. In accordance</p>	

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	with the Board's Terms of Reference the Board ratified the Chairs action for recording in the meeting minutes.	
6.4	The Board otherwise noted the report.	
7	Report from the Remuneration and HR Committee	
7.1	Anne Beegan, Ann-Marie Harkin, Anne-Louise Clark, Gareth Lucey, Helen Goddard, Jo Austin and Mark Jeffs left the meeting.	
7.2	Redacted: the item relating to the pay strategy for 2023-24 was taken in private due to the conflict of interest declared by employee members and staff present.	
7.3	Redacted	
7.4	Redacted	
7.5	Redacted	
7.6	Redacted	
7.7	Adam Marshall, Darren Griffiths, Anne Beegan, Ann-Marie Harkin, Anne-Louise Clark, Gareth Lucey, Helen Goddard, Jo Austin and Mark Jeffs re-joined the meeting.	
7.8	The Committee Chair explained the approach taken to update the Recruitment and Selection Policy and outlined the key points considered by the Committee. In accordance with the Committee's recommendation the Board approved the Recruitment and Selection Policy.	
7.9	The Board otherwise noted the report.	
8	Report from the Audit & Risk Assurance Committee	
8.1	The SID presented the report of the Committee's meetings on 13 December 2022 and 27 January 2023. At its meeting in December the Committee had considered the internal audit review of key financial controls and was satisfied that, while there had been strong, helpful recommendations, underlying processes were robust and benefitting from the implementation of the TRM system. The Committee had received the review of performance management information at an additional meeting held in January and was again encouraged by reports of the benefits of the TRM system for the wider organisation.	
8.2	The SID highlighted that the Committee was satisfied with the fresh approach of the Internal Auditors and quality of their reports, but had raised concerns around the timing of delivery. The EDCS confirmed that the two remaining reports for 2022-23 would be presented to the Committee in June and he was working with the Internal Auditors to plan and schedule the programme for 2023-24.	
8.3	The Board noted that the valuable Committee discussion on net zero provided assurance that Audit Wales had realistic plans to work towards the net zero ambition, and recognised both the challenges faced and the need to engage and involve staff.	
8.4	In response to a question raised in respect of the Welsh language strategy, the SID explained that the Committee had considered the strategy from a risk perspective, was supportive of the ambition reflected in the Strategy and the Annual Plan but recognised the need for an	

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	<p>immediate focus on compliance with the Welsh language standards. The EDCC:</p> <ul style="list-style-type: none"> • assured the Board that the ambitions and outcomes of the strategy would be pursued in parallel to compliance with the Welsh language standards and not sequentially; and • reminded the Board that the strategy covered a number of years and a working group including Board members was looking at how to create and develop a culture of bilingualism where staff could use their language of choice. <p>The Board asked that the Board members on the working group consider the role of the Board in relation to the ambition for Audit Wales to be a bilingual organisation and provide an update to the Board.</p>	DG / EG
8.5	The Board noted the report.	
9	Draft Annual Plan and KPIs	
9.1	The Change Programme Manager presented the near final draft Annual Plan for 2023-24 and outlined the changes made to take account of earlier feedback.	
9.2	<p>The Board sought clarity on the Annual Plan KPIs in light of previous discussions in which the Board had asked management to consider the development of whether outcome based KPIs to demonstrate the impact of the Auditor General's work. The EDCC explained that:</p> <ul style="list-style-type: none"> • she had reviewed the methodology used by other organisations and this did not fit well with the functions of the WAO and the Auditor General; • the internal audit review of performance management indicated that the current suite of KPIs in the annual plan operated effectively and recommended development of internal KPIs to develop the link between internal business plans, the five-year strategy and the Annual Plan; • independent stakeholder engagement was underway which would provide key data around public perceptions and more detailed quantitative information from audited bodies, and this would provide a baseline against which impact could be more easily monitored and measured through more stretching KPIs; and • management also recognised the value of using case studies to demonstrate and evidence impact externally and inspire staff to feel pride in Audit Wales' work. 	
9.3	The Board was satisfied that the independent stakeholder engagement would provide a baseline for measuring impact and was keen to ensure that the data was used to develop suitable measures against which progress could be measured. The EDCC would update the Board on the outcomes of the stakeholder engagement and how these results would translate into a baseline for a future KPI against which progress would be measured over a period of time. The Board planning group would consider the timing for an update to be provided to the Board.	EDCC BS

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9.4	The Board noted that independent stakeholder engagement would be repeated in 2026, and the traditional approach of Engagement Directors collecting feedback would be adopted in the intervening period. The Board was content that the combination of internal measures and external KPIs provided a strong suite of performance measures. The Board also noted the work that was underway to record and potentially monitor progress against recommendations made in the Auditor General's reports.	
9.5	The Board discussed the narrative of the draft Annual Plan and made suggestions to refine and improve the content and structure, which the Change Programme Manager would take account of in finalising the document for Board approval.	CPM
9.6	The Board noted the updated draft and thanked the staff involved for their work in developing the draft Annual Plan.	
10	Integrated Performance Report	
10.1	The EDCC presented a paper providing the quarter three performance update covering the current areas of focus for the ELT, key strategic risks, the financial position to the end of December and delivery against the annual plan KPIs and the five-year strategy.	
10.2	The Head of Finance updated the Board on the financial position to the end of January 2023. She explained that expenditure was as expected but income levels were lower than projected and were being monitored weekly. The EDAS confirmed that positive action was being taken to focus efforts on income delivery for the remainder of the financial year. She expected that the TRM system would support more effective project and budget management in future.	
10.3	The Board was keen to understand the reasons behind lower-than-expected income delivery, noting the impact of project overruns and that decisions could not be taken on project balances until a project was closed. The Board briefly discussed the improvements expected from the TRM system, noting that both cultural and operational changes would be needed to improve the approach to billing. The Board asked the Head of Finance to include information about abatements in future financial updates.	HoF
10.4	The Board expressed its concern regarding the delivery of sufficient income to achieve the year-end budget, taking some assurance from the work underway to deliver income. The Board was also keen to understand what would be done to improve processes for the next financial year to avoid a repetition.	
10.5	The Board otherwise noted the integrated performance report.	
11	Audit Quality Monitoring Contract	
11.1	The AD&G Manager Performance Audit presented a paper outlining the process and outcome of a procurement exercise for retendering the audit quality contract. He explained that the pool of potential suppliers was small and only one bid had been received, from the current provider. The bid had scored well and the price, which had been benchmarked externally, provided some flexibility for additional services if required. The ELT was	

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	satisfied with the quality and service of the provision under the existing contract and had recommended that the Board approve the contract.	
11.2	The Board was satisfied that a thorough process had been followed, and approved the award of the audit quality contract to the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) for a four-year period commencing upon expiration of the existing contract.	
12	Any other business	
12.1	The Chief Executive explained that the next Board meeting was scheduled to take place at the same time as a meeting of the Senedd Public Accounts and Public Administration Committee, and he would like to attend both meetings if feasible. The Board Secretary would explore options regarding the timing and/or agenda for the Board meeting.	BS
13	Review of the forward work programme	
13.1	In response to a question the EDCS confirmed that the draft Travel Plan was expected to be considered by the Change Programme Board shortly and he would liaise with the Board Secretary to arrange for Board to be consulted or otherwise involved in its approval as appropriate as this was an output arising from the Travel and Subsistence review. The Board otherwise noted its forward work programme which would be kept under review.	EDCS / BS
14	Review of the meeting	
14.1	The Board welcomed feedback from the observers who commented on: <ul style="list-style-type: none"> • the open and transparent discussions; • the detail and focus of the discussions; • the strong challenge offered, while embracing Audit Wales values and behaviours; and • the effective chairing of a meeting with complex arrangements. 	
14.2	Board members and ELT commented on: <ul style="list-style-type: none"> • the value of advance notice of areas of concern which allowed for useful responses to be provided and helped get the best out of the meeting; • the clear and well drafted paper on the audit quality contract; • using the data in the integrated performance report effectively to inform the Board's discussions, recognising that discussions about current strategic risks often emerged through discussion of other papers. 	
15	Date of next meeting	
15.1	Business Meeting: Wednesday 15 March 2023	