

Wales Audit Office Board
Minutes of the meeting on Tuesday 18 and Wednesday 19 July 2023

Members:

Kathryn Chamberlain	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
Darren Griffiths	Appointed 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

In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Kevin Thomas	Executive Director of Corporate Services (EDCS)
Katherine Drysdale	Board Secretary (minutes)
Nicola Evans	Head of Finance (item 3 and 9)
Chris Bolton	AD&G Manager Research & Development (item 4)
Terry Jones	AD&G Manager Audit Quality & Policy (item 4)
Gary Emery	Audit Director (item 4)
Steven Coll	Associate Director, Savanta Group (item 11 by Teams)
Martin Dejardin	Senior Research Executive, Savanta Group (item 11 by Teams)
Laurie Davies	Head of Business Services (items 12 and 13)
Abigail Phillips	Change Project Manager (item 13)

Observers:

Gareth Lucey	Audit Manager (items 5-13 and 15-19)
Georgina Taylor	Graduate Trainee (items 5-13 and 15-19)

Item	Agenda
1	Welcome and apologies
2	Declarations of interests
3	Estimate and fee scheme strategy
4	Horizon scanning
5	Review of minutes: Board meeting 08 June 2023
6	Review of action tracker
7	Report of the Chief Executive and Auditor General
8	Chair's update
9	Integrated Performance Report
10	Employee engagement: forward look
11	Stakeholder Research Feedback

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Item	Agenda
12	Health, Safety & Wellbeing Committee Annual Report
13	Travel Plan
14	Report from the Chair of the R&HRC (July meeting)
15	Information Governance Policy
16	Review of the forward work programme
17	Any other business
18	Review of the meeting
19	Date of next meetings: 25 and 26 September 2023, Cardiff

Item	Minutes	Action
Standing Items		
1	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance. The Chair noted that following Adam Marshall's resignation this would be his final Board meeting.	
1.2	There were no apologies for absence from the meeting.	
1.3	Alison Gerrard would write the meeting blog incorporating the five key messages that would be captured by the EDCC.	AG / EDCC
2	Declarations of interest	
2.1	Employee members and other staff present declared a pecuniary interest in item 14 (R&HRC report, pay strategy) and the Board Chair declared a related interest in that item. Employee Board members, staff and observers would leave the meeting for the pay and reward element of item 14 (Report from the Chair of the Remuneration and HR Committee) which would be taken in private. The EDCCS would be present to answer questions then leave for the Board discussion and decision, and the Board Secretary would remain to record the discussion.	
2.2	The Board Chair reported that she had been appointed a Commissioner of the Jersey Care Commission for a three year term but she did not anticipate this would result in any conflict of interest.	
3	Estimate and fee scheme strategy	
3.1	The Chair of the Remuneration and HR Committee explained that she would present the Committee's detailed recommendations on the pay strategy for 2024-25 for discussion and decision during the business part of the Board meeting. She indicated that the Committee's recommendation for the pay strategy was expected to broadly align with the information outlined in the Estimate strategy paper but would be confirmed to the Head of Finance and EDCCS following discussion and decision during the business part of the meeting.	

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3.2	<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 2024-25. 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 a very tight budgetary position and an indication that the potential for significant additional funding in 2024-25 was low.</p>	
3.3	<p>The Board discussed:</p> <p><u>Switch from fees to WCF funding</u> for local performance work, subject to formal confirmation of Welsh Government support for the proposal. The Board considered the potential consequences of a switch, noting that on balance it would offer increased flexibility. While such switch was expected to be cost neutral for audited bodies clear messaging would be needed to explain the change.</p> <p><u>Overall strategy / new activity</u>, noting that in recent years Audit Wales had sought to minimise its call on WCF funding. While recognising the context of public finances provided by the Minister's letter, in light of both recruitment and retention challenges and the post Covid audit backlogs, the Board supported seeking additional funding for 2024-25</p> <p><u>Provision for pay</u>, and the compelling arguments for including a budget for pay increases that would be sufficient to help address recruitment and retention challenges and align Audit Wales pay scales with its comparators both in the public and private sectors.</p> <p><u>Fee Scheme</u> consultation which would be developed to take account of the discussions at the meeting and provided to the Board Secretary to share with members. The Board noted that the consultation would reflect increases in pay scales in line with fee rates and would explain the underlying assumptions which would be subject to change.</p> <p><u>Savings</u>, and the need for a clear narrative to explain the savings being achieved through genuine efficiencies and prudent management to demonstrate that Audit Wales offers value for money. The Board noted that the financial sustainability review group was exploring potential approaches to securing savings.</p> <p><u>Capital investment</u>, which was expected to be maintained at the 2023-24 level, with the potential for moving funding between capital and revenue budgets to be explored.</p>	HoF
3.4	<p>The Board was keen to see a clear narrative in the Estimate to explain the challenges facing Audit Wales, the approach to making savings, the benefits of the activity proposed and the likely impact of not getting the funding sought. 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>	

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	<ul style="list-style-type: none"> • prepare the joint estimate and draft fee scheme for 2024-25 for further consideration at its September meeting; and • consult on a revised fee scheme as outlined on the paper reference WAOB(72)/23/002b.	
4	Horizon Scanning	
4.1	The EDAS introduced a presentation which outlined the approach to horizon scanning to inform the development of the Auditor General's forward work programme and shape the resourcing of that.	
4.2	The AD&G Manager Research & Development outlined the development of a Delphi Method Horizon Scanning Prototype as a tool to facilitate a systematic approach to horizon scanning to identify key matters impacting the organisation and reach a usable consensus approach. He briefly outlined the prototype results.	
4.3	The EDAS and the AD&G Manager Audit Quality & Policy spoke to a presentation which outlined: <ul style="list-style-type: none"> • the role of the Board in providing resources to the Auditor General and monitoring strategic risks; • the overall accounts audit landscape, including demands for increased complexity and higher quality expectations; • supply and resourcing challenges and options, including the growth in demand for auditors & accountants (including tech roles); • the local government audit market in England, the concerns of 2020 Redmond report and Public Accounts Committee, and the launch of the DLUCH inquiry; and • the impact of commercial audit failings. 	
4.4	The EDAS highlighted: <ul style="list-style-type: none"> • the impact of the English local government market and private sector failings on wider perceptions of public audit and the need to preserve the reputation and credibility of public audit in Wales; • the need for integrated and longer-term horizon scanning, to assess demand and plan effectively; and • the challenges and impact of the workforce / supplier market and developing a proactive strategy to meet future needs for the levels and types of resourcing to meet increased quality demands. 	
4.5	The Board discussed: <ul style="list-style-type: none"> • the increase in complexity and quality expectations for public audit; • the challenges for recruitment and retention of auditors; • the increasing role of technology in both data management and as an in-demand specialism in the audit profession, and how Audit Wales might develop in this area; and 	

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	<ul style="list-style-type: none"> • the state of the audit market in England and potential risks for a similar outcome for Wales in the event that an independent public audit approach was not protected and funded. 	
4.6	The Board noted the update and that the EDAS would maintain a watching brief over the risks and issues highlighted, which would be monitored through the Integrated Performance Reports and Auditor General's updates.	
5	Review of minutes: Board meeting 08 June 2023	
5.1	The Board approved the minutes of its meeting on 08 June 2023 as an accurate record.	
6	Review of action tracker	
6.1	<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/22/064-070 (DPO actions): progress was being made and the tracker would be updated further following the DPO update to A&RAC in September. • WAOB/22/072 (cumulative delivery of the strategy): action to be closed, updates would be included in the Integrated Performance Report. • WAOB/23/002&3 (Chair external engagement): meetings had taken place or were scheduled with all members of the Senedd Finance Committee. • WAOB/22/074 (financial planning & reports): an initial meeting had taken place to review the data available. • WAOB/23/016 (Board effectiveness): following feedback from the Finance Committee clerks it was expected that an external review would be scheduled for 2025-26. • WAOB/23/001 (Board blog): feedback had been invited, but none received. 	BS
7	Report of the Chief Executive and Auditor General	
7.1	<p>The Auditor General and Chief Executive presented his update and highlighted:</p> <ul style="list-style-type: none"> • financial audit delivery, and that following tremendous effort on the part of the audit teams he expected to sign most of the NHS accounts during the next week; • that the overtime pilot would be reviewed to assess its impact and whether overtime should continue to be offered; • the COVID enquiry, where his work had been referenced on a number of occasions; • that the Senedd Finance and Public Accounts and Administration Committees would be kept informed of audits that would not be completed within statutory deadlines; 	

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	<ul style="list-style-type: none"> • that he and the Board Chair had met with the Chair of the Finance Committee to discuss the proposal and timing for a Supplementary Estimate to seek funding for a cost-of-living payment to staff; and • the outcomes of the recent omnibus survey of audited bodies, which were consistent with previous results and were not expected to trigger any specific activity. 	
7.2	<p>The Board discussed:</p> <ul style="list-style-type: none"> • the review of the overtime pilot and its potential continuation, noting that management would be assessing whether chargeable work had been delivered through overtime and whether it had positively impacted on delivery; • whether the Auditor General's work on active travel could inform Audit Wales' travel plan, noting that the timing was not aligned but there was the potential for this to offer some learning; and • the potential of the Auditor General being called to give evidence at the COVID enquiry, noting that this was not expected as the Auditor General was not advising on the enquiry. 	
7.3	The Board noted the report.	
8	Chair's Update	
8.1	The Chair presented her written report which outlined her activity since her last update. She explained that she was continuing to meet Executive Directors and broader teams and was available for early discussion where required.	
8.2	The Chair encouraged members to reflect on how Board meetings were going and provide feedback on how they could be developed. She explained that she would be reflecting on Board link and committee roles with a view to confirming these in September.	
8.3	The Board noted the report.	
9	Integrated Performance Report	
9.1	The Chair reminded the Board of the purpose of the Integrated Performance Report and that it provided an opportunity for the Board to offer their advice and input.	
9.2	The EDCC presented the quarter one performance update covering the current areas of focus for the ELT, key strategic risks, the financial position to the end of May and delivery against the annual plan KPIs and the five-year strategy.	
9.3	<p>The Board discussed:</p> <ul style="list-style-type: none"> • resourcing, and the experience of implementing ISA315 for delivery of the NHS audits. The EDAS explained that using a higher skills mix appeared to be appropriate and a post project learning exercise would be carried out to identify whether the approach could be streamlined for delivery of the local government audits. 	

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	<ul style="list-style-type: none"> • recruitment and retention, the challenge of attracting staff in a competitive recruitment market, the impact of pay, funding pay increases and managing the impact on fees. The EDCC explained that the financial sustainability review would be looking at options for generating savings in the event that the cost of pay increases was not fully funded through fees and the WCF. The Board also noted that the R&HRC would be reviewing retention, talent management and succession planning as part of its forward programme. • planning for implementation of additional new accounting standards that were anticipated, noting that learning from implementing ISA315 would inform the approach and running pilots had potential benefits. • finances, including delivery of fee income which was currently behind the income profile but expected to improve in July. • vacancies, the numbers, gaps, impact and activity to fill vacancies. The Chief Executive explained that turnover was higher than previously but the numbers relatively low at approximately 25, with some 11 trainee and 8 other vacancies in audit services. The Board noted that the commitment to fill vacancies internally where possible meant that there was some shuffling of vacant posts. 	
9.4	<p>The EDCC outlined the priorities for the ELT and explained that these broadly reflected the urgency and importance for the organisation, with the ELT increasingly challenging itself on timing and planning of its activities and areas of focus to ensure that it was prioritising appropriately. The Board briefly discussed:</p> <ul style="list-style-type: none"> • communicating the progress of delivery of the strategy to staff, through a combination of the HUB refresh, ELT briefings and the Comms cascade; • income delivery, noting that delivery of 12 months income was forecast, and it would not be feasible to assess whether additional income could be delivered until the local government audits were nearing completion in November; • activity to enhance culture, noting that the working group was taking stock of previous work and mapping activity already underway with a view to identifying gaps and planning next steps; • staff morale and the potential benefits of a staff conference, noting that whilst conscious of cost and workload pressures, the ELT was in early discussions regarding a potential format; and • resourcing, noting the involvement of corporate staff, such as members of the Finance team, to support delivery of town and community council audits alongside their usual work resulting in some pressure on non-audit parts of the business. 	
9.5	<p>The Chair thanked the EDCC for a comprehensive report with a breadth of information which had facilitated discussion of key issues of importance to the organisation. She acknowledged the involvement of non-audit teams in</p>	

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	audit delivery and observed that this provided a real opportunity to demonstrate that we are all in this together to deliver a common goal.	
9.6	The Board noted the report.	
10	Employee engagement: forward look	
10.1	The EDCC presented a paper updating the Board on the outcome of the procurement process for the delivery of the staff survey. The EDCC highlighted that the new software offered access to best practice data and learning and development and the HR team were involved in considering how to access and use that.	
10.2	<p>The EDCC explained:</p> <ul style="list-style-type: none"> • that the new software required testing and, subject to that, she intended to use it to roll out a temperature check survey after the next round of ELT roadshows in September; • a fuller staff survey would then be developed to provide a baseline of data, and would incorporate some of the Civil Service survey questions to provide benchmarking information; and • the staff survey was usually rolled out during October, but the ELT was considering whether it should be delayed so avoiding a busy audit period. 	
10.3	The Board was keen to understand progress against the areas of focus identified for the ELT from the response to the 2022 survey. The EDCC explained that an update on activity had been included in the last staff newsletter and she intended to highlight progress in the next ELT roadshows. She would circulate an outline plan for the roadshows and would consider how Board members could be involved.	EDCC
10.4	The Board noted the update and would look forward to receiving the outcome of the temperature check.	
11	Stakeholder Research Feedback	
11.1	<p>Steven Coll and Martin Dejardin of Savanta Research joined the meeting by Teams and presented the methodology and findings of the quantitative and qualitative stakeholder research carried out on behalf of Audit Wales. They highlighted the key outcomes, including:</p> <ul style="list-style-type: none"> • high scores for KPIs related to driving improvement and credibility; • perception that Audit Wales acts independently, leading to the credibility and value of its outputs; • outputs providing knowledge, such as best practice examples were most valued; • the content and quality of outputs were well received with a preference expressed for concise relevant reports with strong recommendations; and • delays to delivery and long timelines were the biggest area of concern, with stakeholders linking this to resourcing challenges. 	

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11.2	The EDCC explained that the outputs of the engagement were being reviewed against existing plans and activity, and gaps identified to enable next steps to be planned and prioritised.	
11.3	In response to a question whether positive feedback was linked to positive reports, and vice versa, Savanta indicated that they could not identify a direct correlation but noted that negative comments were more likely to be made when stakeholders did not see the direct relevance of a report.	
11.4	The Board briefly discussed the insight scores and the value of insight in public audit, noting that in some cases reports were not designed to provide insight and stakeholders placed a higher value on the core reports which were required for compliance and assurance.	
11.5	The Board noted the report.	
12	Health, Safety & Wellbeing Committee Annual Report	
12.1	The EDCC introduced the annual Health, Safety & Wellbeing Committee report, explaining that this was now supported with a short briefing paper which highlighted the key issues.	
12.2	The Head of Business Services presented the Health, Safety & Wellbeing Committee annual report and highlighted: <ul style="list-style-type: none"> • sickness absence levels which were higher than the previous year but in line with trends, and reflected a surge in covid related absences following the lifting of restrictions. She explained that absence related to stress had reduced but rates related to anxiety had increased, and line managers were active in supporting and promoting wellbeing. • annual leave, where there were two instances where the statutory minimum leave had not been taken by contractors which had impacted on the contractor budget and leave carry over levels continued to be high. • wellbeing provision, where managers and wellbeing champions were active in raising awareness and delivering activities to support the wellbeing strategy. 	
12.3	The Board discussed annual leave carry-over figures, seeking clarification of the processes in place to reduce this, including whether a 'use or lose it' policy would be feasible. The Head of Business Services explained that: <ul style="list-style-type: none"> • alignment of the leave year would help improve overall management of leave, and the subsequent analysis of the data; and • she would ask the Health, Safety and Wellbeing Committee to review and clarify the policy for taking, selling or losing leave so as to reduce levels of leave carry overs. 	HoBS
12.4	The Board noted that some staff, including contractors, may have avoided taking leave due to workload pressures and giving precedence to the delivery of chargeable work. The Board encouraged management to ensure clarity of expectations for line managers and staff on managing and taking leave, recognising the importance of leave for staff wellbeing.	

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12.5	The Board noted the briefing and approved the Committee's annual report.	
13	Travel Plan	
13.1	Ahead of the presentation of the draft Travel Plan, the Chair highlighted that the draft plan referenced the Welsh Government's ambition on net zero and she was concerned to ensure that Audit Wales was seen to be acting independently and not aligning itself to a political position or target. The Auditor General briefly explained the background to the development of Welsh Government's net zero ambition and confirmed that Audit Wales' commitment to net zero had been formulated independently. He suggested removing reference to the Welsh Government to ensure clarity.	
13.2	The Head of Business Services presented a paper outlining the background to, and process for, the development of the Travel Plan which aimed to make a positive impact on sustainability through the reduction of emissions, encouraging the use of public transport and promoting wellbeing through active travel. She explained that the Travel Plan was not intended to be prescriptive and while incentives were included to encourage the use of public transport the plan offered a range of options to take account of individual circumstances.	
13.3	The Change Project Manager briefly outlined the incentives and the approach planned for implementation which would focus on encouraging staff to be thoughtful and make small changes.	
13.4	The Board discussed: <ul style="list-style-type: none"> • the incentives and expectations of the Plan; • the need for the Plan to be underpinned by common sense, with staff supported and trusted to take appropriate decisions regarding their travel arrangements taking account of time, wellbeing, safety and practicality, with messaging to support that; • whether genuine examples of staff and management adopting the principles of following the plan could support communication and encourage staff to change their travel patterns; • whether the plan would have a positive, negative or neutral impact on delivery, noting that this was currently not known; • the need for the Plan to be monitored and reviewed periodically. 	
13.5	Subject to minor amendment of paragraphs 9 and 10 of the draft plan and review of the language used around net zero to ensure Audit Wales independence was clear, the Board approved the draft Travel Plan. The Board offered its thanks for the significant work and practical approach to developing the plan.	
14	Report from the Chair of the R&HRC (July meeting) (Pay strategy taken in private – minutes at 14.2 (part), 14.4 and 14.5 redacted for reasons of confidentiality and for the effective conduct of business)	
14.1	Anne Beegan, Adam Marshall, Darren Griffiths, Ann-Marie Harkin, Anne-Louise Clark, Gareth Lucey and Georgina Taylor left the meeting.	

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14.2	The Chair of the Remuneration & HR Committee presented her report of the Committee's meeting on 11 July 2023 and highlighted the Committee's recommendations in respect of the Pay Strategy for 2024-25. [Text redacted]	
14.3	The EDCS left the meeting.	
14.4	[Text redacted]	
14.5	[Text redacted]	
14.6	Anne Beegan, Adam Marshall, Darren Griffiths, Ann-Marie Harkin, Anne-Louise Clark, Kevin Thomas, Gareth Lucey and Georgina Taylor rejoined the meeting.	
14.7	The Board noted the other matters outlined in the report.	
15.	Information Governance Policy	
15.1	The EDCS introduced a paper proposing amendments to the Information Governance Policy to manage the use and mitigate the risks of generative Artificial Intelligence.	
15.2	The Board Secretary briefly outlined the proposed changes to the Policy to address risks arising from the potential use of generative Artificial Intelligence. The Board discussed: <ul style="list-style-type: none"> • the feasibility of developing a list of approved software and uses, noting the challenges of doing this in a fast-changing environment; • whether it was sufficient for Law & Ethics to be consulted on proposed uses in light of the potential risks, or whether adding in a requirement for approval would provide stronger control; and • the need for it to better understand the wider uses, risks and implications of artificial intelligence. 	
15.3	The Board: <ul style="list-style-type: none"> • approved the revised Information Governance Policy, subject to an addition that the use of generative AI tools should not take place without the approval of the EDCS; and • asked that the EDCS (as Senior Information Risk Owner) plan an item for the Board or A&RAC to develop understanding of Artificial Intelligence and explore potential uses, including for innovation, and risks. 	EDCS
16	Election Arrangements: employee Board member	
16.1	The Board Secretary presented a paper outlining the arrangements for the election of an employee member to the Board, with a proposed timetable which was developed on the basis of an appointment being made to the Board at its meeting in September. She advised that it was however feasible to extend the election period to allow more time both for nominations and campaigning and this would result in an appointment being made in mid-October.	
16.2	The Board discussed the benefits of an extended timetable to generate interest in the role and allow staff to plan for the process, taking account of	

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	the audit delivery timetable and holiday period during August. The Board Secretary confirmed that delaying the appointment would not negatively impact the operation of the Board or its Committees.	
16.3	The Board approved: <ul style="list-style-type: none"> • the electoral rules; • an extended timetable with a view to completing the process in October; • the terms and conditions of appointment; and • procurement of the services of an external supplier to conduct the ballot. 	
17	Review of the forward work programme	
17.1	The Board discussed its forward work programme which the Board Secretary would update.	BS
17.2	The Board approved the scheme for the internal publication of Board papers as outlined in paper reference WAOB(72)/23/014.	
18	Any other business	
18.1	The Board Secretary advised that the Law & Ethics team would be delivering Ethics training to all staff and Board members were invited to attend one of the sessions which would be available to book through the Employee Self Service System.	
18.2	The Chair thanked Adam Marshall for his valuable contribution to the Board and offered the Board's congratulations and good wishes for his new role.	
18.3	The Chair congratulated Elinor Gwynn on her success in completing her PhD.	
19	Review of the meeting	
19.1	The Board welcomed feedback from members of staff observing the meeting, who commented on: <ul style="list-style-type: none"> • the warm welcome received from members; • the open and honest discussions; • the potential for doing more at Audit Wales to actively celebrate success; and • the ease of navigating the Board pack using the hyperlinks. 	
20	Date of next meeting	
20.1	Board meeting – Monday 25 and Tuesday 26 September 2023, Cardiff	