

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

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
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 (by Teams)

Apologies:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Derwyn Owen	Audit Director (item 5)

In attendance:

Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Kevin Thomas	Executive Director of Corporate Services (EDCS)
Katherine Drysdale	Board Secretary (minutes)
Chris Bolton	AD&G Manager R&D (items 3 and 4)
Amanda Jenkins	Planning & Reporting Specialist (items 3 and 4, 16)
Ceri Hughes	Change Programme Manager (items 3 to 5, item 15)
Nicola Evans	Head of Finance (items 5, 11 and 12)
Aneesa Ali	Audit Lead (item 14)
Terry Jones	AD&G Manager Audit Quality & Policy (item 14)
Tom Haslam	AD&G Manager Performance Audit (item 14) (by Teams)
Richard Harries	Audit Director (item 5)
Matthew Edwards	Audit Director (item 5) (by Teams)
Matthew Mortlock	Audit Director (item 5)
Siobhan Cole	Head of HR (item 5)
Lisa Williams	Audit Manager (Business Unit) (item 5)
Matthew Jubb	Head of IT (item 5)
Martin Peters,	Head of Law & Ethics (item 5)
Laurie Davies	Head of Business Services (item 5)
Dave Thomas	Audit Director (item 5)
Gary Emery	Audit Director (items 3 and 5)
Gareth Phillips	Head of Communications (item 5) (by Teams)
Anthony Veale	Audit Director (item 5)

Observers:

Guto Gwilym-Taylor,	Senior Auditor Performance (items 6 to 22)
Rachel Freitag	Audit Manager (West Wales) (items 6 to 22)

Item	Agenda
1	Welcome and apologies

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Agenda
2	Declarations of interests
3	Annual Risk Review using Delphi method
4	Annual Plan 2024-25: areas of focus
5	Organisational Culture: discussion with Directors and Heads of Service
6	Review of minutes: Board meeting 18 & 19 July 2023
7	Review of action tracker
8	Report of the Chief Executive and Auditor General
9	Chair's update
10	Integrated Performance Report
11	Estimate 2024-25
12	Report from the Chair of the A&RAC
13	Audit quality: Annual Report 2022-23
14	Equality Report 2022-23
15	Interim Report 2022-23
16	Governance documents
17	Committee appointments
18	Review of the forward work programme
19	Any other business
20	Review of the meeting
21	Date of next meeting: 22 and 23 November 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.	
1.2	The Chair noted an apology from Anne-Louise Clark (whole meeting) and Derwyn Owen (item 5).	
1.3	Elinor Gwynn would write the meeting blog incorporating five key messages that would be captured by the EDCS.	EG / EDCS
2	Declarations of interest	
2.1	Employee members and other staff present declared a pecuniary interest in item 11, the draft Estimate for 2024-25, as far as it related to proposals for staff pay. The Board Chair declared a related interest in that item. Employee Board members, staff and observers would leave the meeting for the pay element of item 11 which would be taken in private. The Head	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
	of Finance and EDCS would be present to answer questions and the Board Secretary would remain to record the discussion.	
3	Annual Risk Review	
3.1	The AD&G Manager explained that the Board's annual blank sheet risk review would be conducted using an adaptation of the Delphi method with a view to reaching a consensus on key risks for Audit Wales. Each member spoke in turn about the risks they considered Audit Wales should be aware of and pay attention to. Following each contribution, using a data tool, the other members identified and categorised the risk they felt was most pertinent to Audit Wales.	
3.2	Following conclusion of the exercise the AD&G Manager provided an early outline of the key risk areas identified. He explained that the data from the session would be reviewed, alongside the data collected from a similar session conducted with Directors and Heads of Service. The findings would be reported to the Board at its next meeting and reflected in a review of the risk register.	
4	Annual Plan 2024-25: areas of focus	
4.1	The Change Programme Manager presented a paper which outlined: <ul style="list-style-type: none"> • the timetable for the development of the Annual Plan for 2024-25; and • the emerging areas of focus and themes. She explained that the themes and priority areas would be developed to reflect the matters emerging from the risk review and a skeleton draft plan would be brought to the Board meeting in November.	
4.2	The Board discussed the draft plan and suggested that the plan should: <ul style="list-style-type: none"> • clearly reflect the key organisational focus for the year, with activities rationalised and prioritised so that efforts could be focussed on delivering core functions and activities with greatest impact; • incorporate a narrative to explain the impact of operational constraints, such as resourcing, to provide context for the plan. 	
4.3	The Change Programme Manager would take account of the Board's comments in developing the plan, and explained that the Annual Plan would reflect priorities at a strategic level with internal business plans providing the detail for delivery.	
4.4	The Board noted the timetable for the development of the Annual Plan 2024-25.	
5	Organisational Culture: discussion with Directors and Heads of Service	
5.1	The Chair welcomed Audit Directors and Heads of Service to the meeting, emphasising the importance of collective senior leadership having a shared understanding and approach to organisational culture.	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
5.2	<p>The Chief Executive spoke to a presentation which outlined:</p> <ul style="list-style-type: none"> • the background for the focus on culture at Audit Wales and its relevance in underpinning a successful operating model; • the challenges identified through the staff survey and internal audit review of internal communications; • the early objectives developed by the working group on organisational culture led by the EDCC; and • the purpose of the session to: <ul style="list-style-type: none"> ○ reach a shared understanding of the aspects of culture that leadership wanted to change or protect, and ○ evaluate the clarity and sufficiency of actions and respective roles in delivering the actions. 	
5.3	<p>Following discussion in small groups and feedback to the meeting the Chair summarised the key outcomes:</p> <ul style="list-style-type: none"> • the early objectives provided a good start, but needed to be clarified and prioritised by the working group; • support for a relaunch of the Audit Wales values and behaviours through a whole organisation activity or event; • the importance of creating a working environment where staff felt comfortable to speak up and challenge negative behaviour; and • developing a shared sense of purpose and a consistent style of leadership. 	
5.4	<p>The Board noted that the annual staff survey would be launched during the autumn with the result providing insight as to whether activities to address the previous year's survey were having a positive impact.</p>	
5.5	<p>The Chair thanked attendees for their contributions.</p>	
6	Review of minutes: Board meeting 18 & 19 July 2023	
6.1	<p>The Board approved the minutes of its meeting on 18 and 19 July 2023 as an accurate record.</p>	
7	Review of action tracker	
7.1	<p>The Board received an update on delivery against actions on the Board action tracker.</p>	
7.2	<p>In response to a question the Board Secretary confirmed that some of the papers presented at the July Board meeting had been published in line with the principles endorsed by the Board and this approach would be maintained for all Board meetings. To increase awareness the Board Secretary would insert a link to the papers in the Board blog and issue an all-staff email.</p>	BS
8	Report of the Chief Executive and Auditor General	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
8.1	<p>The Auditor General and Chief Executive presented his update and highlighted:</p> <ul style="list-style-type: none"> • his update on wider developments in audit, and the expected delay in the Audit Reform Bill; • progress in delivery of the ELT roadshows, which were more interactive than previous roadshows and were being positively received; • feedback had not yet been received following the appearance at Finance Committee on 20 September; • the review of the overtime pilot indicated that it was financially viable, though uptake had been lower than expected, and it would now be expanded to include manager grade staff; and • the North Wales office move had been completed and positive feedback received from staff on the new premises. 	
8.2	<p>The Board discussed:</p> <p><u>Overtime</u>: whether this could be extended to performance audit to address the backlog of work. The EDAS explained that overtime had been offered to qualified staff (including some from performance audit) to address the backlog of accounts audit work and one of the key criteria in so doing was for the overtime to generate sufficient income to cover its costs. The ELT would consider the viability of extending overtime to performance audit work.</p> <p><u>Overtime</u>: whether there was a plan to manage the withdrawal of overtime. The EDAS explained that she did not expect withdrawal to be problematic; take up of overtime had been limited and the initiative was intended to be time limited to support getting audit delivery back on time. There could, however, be potential to continue it if needed to address delivery issues such as ongoing backlogs or staff leaving.</p> <p><u>Overtime</u>: whether the option of formal flexitime had been considered. The EDAS explained that as part of the pay strategy for 2024-25 the Board had authorised management to explore further flexibility in ways of working jointly with the trades unions. Such discussion had been delayed due to the pay dispute, but had recently recommenced. A report and recommendation would be made to the Remuneration and HR Committee.</p> <p><u>Backlog of work</u>: whether overtime alone was sufficient to address this. The EDAS explained that overtime had not cleared the backlog of work - the work carried out as overtime largely covered work that would have been done by staff who had left Audit Wales. She suggested that it would be timely to review the Board's previous decision not to contract out work to the firms and would prepare a paper for the Board to consider at its meeting in November. The Board noted that the loss of the agricultural funds grant work would create some capacity and the ELT had been asked to consider additional senior auditor posts.</p>	<p style="text-align: center;">ELT</p> <p style="text-align: center;">EDAS</p>

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
8.3	The Board otherwise noted the report.	
9	Chair's Update	
9.1	The Chair presented her written report which outlined her activity since her last update. She highlighted that she and the Auditor General would be visiting the other public audit bodies to observe their Boards and would report the learning from those visits.	
9.2	The Chair explained that she intended to maintain the Board ELT development session scheduled for December which was expected to focus on the development of the Board's business plan for the forthcoming year, as well as a forward-looking effectiveness development plan and a review of Board link roles.	
9.3	The Board briefly discussed the employee election process, noting that staff appeared to be engaging positively with the process. It however appeared that some staff did not fully understand the role of the Board. The Chair explained that the Board would be looking at the respective roles of the Board, the ELT and the AGW in December and following that the Board Secretary would develop information to add to the Board HUB page to raise awareness.	BS
9.4	The Board noted the report.	
10	Integrated Performance Report	
10.1	The EDCS presented an update covering the current areas of focus for the ELT, key strategic risks, the financial position to the end of August and audit delivery. He explained that: <ul style="list-style-type: none"> • the financial position was cautiously positive and would depend on the delivery of income in the face of ongoing resourcing challenges; and • abatements were being proactively managed with oversight from the EDAS. 	
10.2	The Board discussed: <ul style="list-style-type: none"> • income generation. The EDAS explained that she anticipated that the forecast income would be generated but this would be reviewed at the end of September. • abatements and write offs. The EDAS explained that processes for a more commercial approach to overspends had been implemented, and abatements should be expected, but at a lower level. • debtors, noting that a large number of town and community councils owed small amounts and other delayed payments were being actively pursued. • risks to reputation arising from delays in delivery and/or charging for additional work (not abating). The Auditor General confirmed that he and the EDAS had communicated directly with audited bodies to explain the position on delivery and charging fees and responses to the 	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
	fee scales consultation would be taken into account in considering associated risks.	
10.3	The EDCS briefly outlined progress against delivery of the five-year strategy and highlighted the priorities for the ELT.	
10.4	<p>The Board discussed:</p> <ul style="list-style-type: none"> • staff turnover and how insight from exit interviews was being used. The EDCS explained that some 40% of leavers had participated in exit interviews and the Head of HR would be presenting the key themes emerging to the ELT; • the level of recurring savings identified by the financial sustainability review; • timing for the launch of the staff survey, asking that the date of issue and deadline for responses were shared with the Board when finalised; and • the level and impact of vacancy savings on generating income, noting that forecast income was not dependent on filling vacancies. 	EDCC
10.5	The Board briefly discussed the potential for a year end surplus and agreed that it would be prudent to consider the principles for the use of any year end surplus at its meeting in November as part of the financial update in the Integrated Performance Report.	ELT
10.6	The Board otherwise noted the report.	
11	Estimate 2024-25 (Pay element taken in private)	
11.1	The Chair reminded the meeting that employee members and other staff present would leave the meeting for the discussion and decision on the Estimate as far as it related to pay, save for the EDCS and Head of Finance who would remain to present and answer questions and the Board Secretary who would maintain the record.	
11.2	<p>The Head of Finance presented a paper, supported by a presentation:</p> <ul style="list-style-type: none"> • outlining the updated timetable for preparation, approval and laying the Estimate and Fee Scheme; • explaining how the recommendations made by Finance Committee in respect of the 2023-24 Estimate had been addressed; • summarising the changes made to the draft Estimate following discussions at the strategic meeting in July, including removal of the proposed switch of funding from fees to the WCF as the Welsh Government were not able to consider this is in time; • reminding the Board of the context for the Estimate, including the letter from the Minister for Finance & Local Government and the planned calls on the WCF by the other directly funded bodies; • seeking the Board's input on further changes; and • asking that the Board authorise the Chair and Auditor General to approve the final version of the Estimate for 2024-25 for laying before Finance Committee at the end of October. 	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
11.3	<p>The Board reviewed the Draft Estimate and discussed:</p> <ul style="list-style-type: none"> • the financial training scheme, supporting a bid for additional funding to expand the scheme would provide a resourcing stream for the future, and could bring greater diversity to Audit Wales; • independent Board evaluation, supporting removal of this funding as it would be feasible to defer that for a year; • travel budgets, where it would be necessary to ensure sufficient funding for the travel required to deliver the audit programme and maintain quality, and to take account of anticipated changes in travel centres; • travel costs and potentially seeking a reduced contribution from the WCF to recognise lower travel costs post-Covid; • savings targets, recognising the context of public sector finances and balancing the need to make realistic and genuine savings while ensuring sufficient funding for the delivery of high-quality public audit; and • the potential impact of responses to the fee scheme consultation, noting that responses to date had been positive. 	
11.4	Anne Beegan, Darren Griffiths, Ann-Marie Harkin, Guto Gwilym-Taylor and Rachel Freitag left the meeting.	
11.5	The EDCS and Head of Finance reminded the Board of the pay strategy agreed at the Board meeting in July and outlined the impact of alternative pay awards in 2024-25. The Board briefly discussed the basis for the pay strategy and agreed that it was content with the rationale for the approach and the percentage agreed at the July meeting.	
11.6	As the Board had not reached conclusions on savings targets and the level of WCF funding for travel budgets, these matters would be further considered by the Board in early October, either during a further short meeting or virtually.	
11.7	Anne Beegan, Darren Griffiths, Ann-Marie Harkin, Guto Gwilym-Taylor and Rachel Freitag rejoined the meeting.	
12	Report from the Chair of the A&RAC	
12.1	<p>The Chair of the A&RAC presented his report of the Committee's meeting on 07 September. He highlighted that:</p> <ul style="list-style-type: none"> • the Committee was not fully assured regarding the timeliness of the delivery of actions to meet the recommendations in the DPO's annual report to Board and had asked for a further progress update in December; • the briefing on the Time and Resource Management System had provided helpful context for the Committee ahead of the internal audit review of its implementation; 	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
	<ul style="list-style-type: none"> • the Committee proposed to review the strategic risk relating to the delivery of fee income as its next deep dive and he intended to meet with relevant members of the ELT to discuss the scope of that review; • the Committee had reviewed the revised Financial Management Handbook and was content to recommend the updated handbook to the Board for approval; and • he intended to work with the Board Secretary to plan activity to improve the effectiveness of the Committee. 	
12.2	<p>The Board:</p> <ul style="list-style-type: none"> • approved the updated Financial Management Handbook; • endorsed the proposed topic for the next strategic deep dive and the suggestions for improving the Committee's effectiveness; and • otherwise noted the report. 	
13	Audit Quality Annual Report 2022-23	
13.1	<p>The EDAS introduced a paper presenting the annual quality report, which was not a legal requirement but demonstrated commitment to and transparency around audit quality. The AD&G Manager Audit Quality & Policy explained that the report reflected practice in the private sector and provided a summary of Audit Wales quality arrangements and outcomes. The Audit Lead briefly outlined the structure and purpose of the report, and the next steps in sharing the report internally and externally.</p>	
13.2	<p>In his role as Chair of the Audit Quality Committee, the EDCS commented that the report reflected the positive approach taken to audit quality and he was satisfied with the development of Audit Wales's arrangements. He emphasised the importance of maintaining a proactive approach to audit quality which was at the heart of the Auditor General's work programme.</p>	
13.3	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • ISA315 implementation, where feedback from staff suggested that the processes were lengthy and time-consuming, noting that learning from year one would inform development of the approach; and • the number of cold reviews, noting their place in the overall framework of quality arrangements and suggesting that the related KPI was not numerical due to the risk of misrepresenting the data as small numbers were involved. 	
13.3	<p>The Board suggested that future versions of the report might:</p> <ul style="list-style-type: none"> • reflect the impact of arrangements, noting that the report currently had a focus on assessing risk, but more detail might be expected in future years following implementation of ISQM1; and • include an executive summary and/ or comments from the independent Audit Quality Committee member to highlight the key messages in the report. 	

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
13.4	The Board welcomed and noted the report, which reflected Audit Wales's commitment to audit quality.	
14	Equality Report 2022-23	
14.1	The Board considered the draft annual report on compliance with the General Duty of the Equality Act 2010 and on progress made towards delivering the WAO's and the Auditor General's equality objectives in the in the Strategic Equality Plan 2022-26.	
14.2	The Change Programme Manager explained that the Report was in its final format subject to development of the foreword and any feedback from PAWB (the WAO Equality Interest Group). Feedback had been provided by the Head of Law & Ethics on strengthening the report and this would inform the development of the Equality Report for 2023-24.	
14.3	The Board discussed: <ul style="list-style-type: none"> • the pay gap trends, suggesting the inclusion of an explanation for possible reasons for this, so demonstrating an understanding of the challenges facing Audit Wales; • interpretation and presentation of statistical data to ensure this accurately reflected progress, noting that this would be reviewed for the next iteration of the report; • encouraging staff to complete and update the monitoring data to provide an accurate and up to date picture; • accessibility and the use of easy read documents, noting that some easy read documents were prepared dependent on the subject matter of the report. 	
14.4	The Board noted that: <ul style="list-style-type: none"> • the report provided a fair assessment of progress and was encouraged by the positive change in the gender pay gap; • suggestions for improving the annual equality report would be addressed in the development of the report for 2023-24. 	
14.5	Subject to minor amendments to reflect its discussions the Board approved the draft report for publication, and agreed that the Chair and Auditor General should sign the final version of the report.	Chair / AGW
15	Interim Report 2023-24	
15.1	The Planning and Reporting Specialist presented a paper outlining the proposed structure and timetable for delivering the interim report providing an assessment of progress against the 2022-23 annual plan.	
15.2	The Board briefly discussed consistency in content across Audit Wales reports and the Planning and Reporting Specialist would refer to the Estimate to inform the development of the forewords to the Interim Report. She would circulate a copy of the final draft report to members for information.	AJ

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
15.3	The Board was content with the structure and timetable and authorised the Chair and Auditor General to approve and sign the final version of the Interim Report.	Chair / AGW
16	Governance Documents	
15.1	The Board Secretary provided an update on the annual review of the Board's governance documents and proposed amendments to the Board and Committee Terms of Reference and the Code of practice governing the relationship between the Auditor General and the Wales Audit Office. She briefly outlined the proposed changes which had been made following external legal advice and input from the Head of Law and Ethics.	
15.2	Subject to minor corrections, the Board approved the revised: <ul style="list-style-type: none"> • Remuneration and HR Committee Terms of Reference; • Audit and Risk Assurance Committee Terms of Reference; • Board Terms of Reference and Procedural Rules; and • Code of practice governing the relationship between the Auditor General and the Wales Audit Office. 	
17	Committee Appointments	
17.1	The Chair presented a paper setting out proposals for: <ul style="list-style-type: none"> • membership of the Board's Committees; and • appointment of the Senior Independent Director (SID), with an extension of duties so the SID would be the Board point of contact for the Data Protection Officer if needed. 	
17.2	The Chair explained that she had deferred a review of link roles until after the Board self-assessment of its effectiveness and planned to discuss the link role description and appointments at the Board development day in December.	
17.3	The Board approved: <ul style="list-style-type: none"> • the membership of the Audit and Risk Assurance Committee: Ian Rees (Chair), Anne Beegan, David Francis and Andrew Clark (independent member); • the revised membership of the Remuneration and HR Committee: Alison Gerrard (Chair), Darren Griffiths, Kathryn Chamberlain and Elinor Gwynn; and • the continuation of the appointment of David Francis as the Senior Independent Director. 	
18	Review of the forward work programme	
18.1	The Board discussed its forward work programme which the Board Secretary would update.	BS
18.2	The Board briefly discussed the locations for its meetings and agreed that the meeting in February would take place in North Wales. A Board meeting would not be planned for the Penllergaer Office due to space limits, but the	EDCC

Wales Audit Office Board
Minutes of the meeting on Monday 25 and Tuesday 26 September 2023
Held in the WAO Cardiff office and by Teams

Item	Minutes	Action
	ELT would include more Board members in future roadshows in Penllergaer so they could engage with staff from West Wales.	
19	Any other business	
19.1	The Board Secretary reminded members to complete the online money laundering training, LinkedIn cyber security training and the in-person Ethics training. She would arrange for a schedule of available dates for the Ethics training to be circulated so members could select a session.	BS
20	Review of the meeting	
20.1	<p>The Board welcomed feedback from members of staff observing the meeting, who commented on the:</p> <ul style="list-style-type: none"> • reassurance of seeing the Board discuss matters relevant to staff; • honest, pragmatic and realistic contributions from members; • value of seeing the flow of business through the ELT to Board; • level of challenge; and • clear summing up at the end of each item. 	
21	Date of next meeting	
21.1	Board meeting – Wednesday 22 and Thursday 23 November 2023, Cardiff	