

Wales Audit Office Board
Minutes of the meeting on Wednesday 22 and Thursday 23 November 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 (R&HRC)
Anne Beegan	Elected employee member
Chris Bolton	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 (A&RAC)

Apologies:

Darren Griffiths	Appointed employee member
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In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Kevin Thomas	Executive Director of Corporate Services (EDCS)
Katherine Drysdale	Board Secretary (minutes)
Ceri Hughes	Change Programme Manager (items 3 and 4)
Matthew Hockridge	Head of Planning & Reporting (items 3 and 4)
Terry Jones	AD&G Manager Audit Quality & Policy (item 5)
Tom Haslam	AD&G Manager Performance Audit (item 5) (by Teams)
Nicola Evans	Head of Finance (items 11 to 13)
Hywel Jones	Welsh Language Officer (item 16) (by Teams)
Gareth Phillips	Head of Communications (items 15 and 16)
Martin Peters	Head of Law & Ethics (item 16)

Observers:

Eleanor Ansell	Audit Lead (items 6 to 10, 12 to 20)
Alice King	Audit Manager (items 6 to 10, 12 to 20)
Matthew Hockridge	Head of Planning & Reporting (items 6 to 10, 12 to 20)

Item	Agenda
1	Welcome and apologies
2	Declarations of interests
3	Draft Annual Plan 2024-25
4	Staff Survey: temperature check
5	Review of decision to carry out accounts audit work in house
6	Review of minutes: Board meeting 25 & 26 September 2023
7	Review of action tracker
8	Report of the Chief Executive and Auditor General
9	Chair's update
10	Fee Scheme 2024-25

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Item	Agenda
11	Integrated Performance Report
12	Report from the Chair of the R&HRC (November meeting) Part 1 (taken in private)
13	Report from the Chair of the R&HRC (November meeting), Part 2
14	Board Communications
15	Welsh Language: update on compliance / delivery; approval of strategy
16	Generative Artificial Intelligence Policy
17	Review of the forward work programme
18	Any other business
19	Review of the meeting
20	Date of next meeting: 05 and 06 December 2023, Cardiff (Development); 12 and 13 February 2024, North Wales

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 Darren Griffiths.	
2	Declarations of interest	
2.1	Employee members and staff present (save for the Executive Directors) declared a pecuniary interest in item 12, Report from the Chair of the R&HRC (November meeting) Part 1 which related to pay and reward. The Board Chair declared a related interest in that item. Employee Board members and observers would leave the meeting for item 11 which would be taken in private. The Head of Finance would be present to answer questions, then leave. The Board Secretary would remain throughout to maintain the record.	
3	Draft Annual Plan 2024-25	
3.1	The EDCC introduced a paper on the draft Annual Plan for Board input to the areas of focus. The Change Programme Manager outlined progress in developing the Annual Plan which took account of the recent risk review and input from the ELT and Director Team. The Head of Planning & Reporting explained that he intended to review the KPIs and, taking account of current performance, develop realistic but aspirational targets.	
3.2	The Board discussed: <ul style="list-style-type: none"> • the assumptions underpinning the KPIs, the benefits of maintaining a consistent suite of KPIs and the development of specific and realistic targets with clear explanations for changes; • the descriptions of and targets for specific KPIs, including those relating to audit delivery, efficiency savings and audit quality; 	

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	<ul style="list-style-type: none"> • providing a concise narrative to show linear progress in the delivery of the five-year strategy, highlight any changes and their impact and outline the specific actions to move forward over the forthcoming year; and • the purpose and importance of the Annual Plan as an internal and external communications tool. 	
3.3	The EDCC reminded the Board that the Internal Audit review of performance management had not recommended substantive changes to the annual plan KPIs but had suggested that internal performance measures be developed.	
3.4	The Board thanked the Change Programme Manager for her work in supporting the development of the Annual Plan which the Head of Planning & Reporting would now take forward.	
3.5	The Board noted the progress in the development of the Annual Plan and that the final draft Annual Plan would be presented for approval in February 2024.	
4	Staff Survey: temperature check	
4.1	The EDCC provided a summary of the feedback from the temperature check survey conducted at the ELT roadshows. The feedback was positive and indicated that staff had valued the roadshows. She explained that the ELT intended to maintain the programme of roadshows and was considering the format and timing for an all-staff event which was expected to have an audit related theme.	
4.2	<p>The EDCC explained that 82% of staff had completed the 2023 staff survey and she outlined the timetable for analysing and reporting on the results. From an initial review of the results, she outlined:</p> <ul style="list-style-type: none"> • areas where Audit Wales was performing well and areas where there were opportunities to improve; and • the results to the engagement questions where scores would be analysed to produce an overall engagement score for KPI reporting purposes. 	
4.3	<p>The Board discussed:</p> <ul style="list-style-type: none"> • the scores for the engagement questions, which appeared consistent with the temperature check results, noting that the detailed results should help management to identify what could be done to improve staff engagement; • the survey tools available from CultureAmp for interim surveys, the capacity for and purpose of further surveys, the risk of survey fatigue, and the controls needed to manage a focussed approach; • the interpretation of the survey results, and, subject to advice from the DPO on data protection requirements, how the comments might be calibrated against scores to provide depth of insight in respect of teams and/or by particular demographic groups. 	

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4.4	The EDCC outlined the timetable for reviewing the results, designing the reports and providing an email to staff with an indication of how they had scored against the overall results.	
4.5	The Board noted the paper, was pleased to see some positive messages, and would look forward to receiving the detailed results and plans for the next round of surveys.	
5	Review of decision to carry out accounts audit work in house	
5.1	The EDAS introduced the review of the decision made in January 2019 that no new audit supply contracts with contractor firms would be entered into once the contracts ended after completion of the 2019-20 audit round.	
5.2	<p>The AD&G Manager Audit Quality & Policy spoke to presentation that considered:</p> <p><u>Where are we now</u>: comparing the operating models of Audit Wales with its public audit counterparts and the delivery of local audit in England and outlining the factors which led to the decision in 2019.</p> <p><u>The current market position</u>: identifying potential suppliers and their locations, outlining their current involvement with the delivery of public audit, the impact of the 2019 decision on supplier relationships, potential contract thresholds and costs impacts.</p> <p><u>Supply</u>: considering Audit Wales operating environment, risks and opportunities; and <u>Demand</u>: considering factors such as demand for services from other bodies, reducing work, the approach to commissioned work and the impact of developing technologies.</p> <p><u>Procurement</u>: outlining the options for the scope of a contract, the process and a projected timeline.</p> <p><u>Wider implications</u>: including contract construction, fee setting, managing relationships, monitoring delivery, providing support for the AGW, managing ethical conflicts and the relationship with the wider public sector, ensuring suitable technical support and monitoring quality, together with the impact on teams and staff internally.</p> <p><u>Potential next steps</u>: which might include maintaining the status quo, informal market testing and/or scoping and planning a project.</p>	
5.3	<p>The Board discussed the points raised in the presentation in detail including:</p> <ul style="list-style-type: none"> • the risks, challenges and costs of changing the approach to contracting out audit work, noting that there was no guarantee of success in awarding a contract and significant resource would be needed to pursue this option; • the triggers for the review, including workforce / resourcing challenges, the backlog of work, the wider external audit environment, developing specialisms and approaches to audit delivery, and the likely impact of contracting out on such matters; • whether a change in approach was necessary to ensure that the AGW had sufficient resources; 	

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	<ul style="list-style-type: none"> • financial and operational complexities and impacts, including the funding model, and corporate /audit structures and resources; • impact on the current all Wales approach to public audit and how a change might be received by stakeholders including audited bodies, the Senedd and staff; • the experience of Audit Wales public audit counterparts. 	
5.4	<p>The Board was keen to understand whether the criteria underpinning the 2019 decision remained valid, whether there was a potential market for contracting out and the associated costs. The Board asked the EDAS to:</p> <ul style="list-style-type: none"> • informally discuss the principles and experiences of contracting out with her counterparts in the public and private sector, on the clear basis that Audit Wales was not testing the market; and • bring a paper to its meeting in February reviewing the assumptions underpinning the previous decision not to contract out, outlining current options for contracting out and providing a rationale and recommendation to enable the Board to review the 2019 decision and make a decision on next steps. 	<p>EDAS</p> <p>EDAS</p>
6	Review of minutes: Board meeting 25 & 26 September 2023	
6.1	The Board approved the minutes of its meeting on 25 & 26 September 2023 as an accurate record.	
7	Review of action tracker	
7.1	<p>The Board received an update on delivery against actions on the Board action tracker.</p> <ul style="list-style-type: none"> • WAOB/22/065 (cyber essentials plus): the EDCS provided a brief update on the timing for re-accreditation which would be reported in full to the Audit & Risk Assurance Committee in December. • WAOB/22/075, WAOB/23/004, WAOB/23/005 (Board engagement): actions to be closed – Board communications plan agreed. 	
7.2	The Board asked for the outcomes of the Delphi exercise referred to in the Minutes to the September 2023 Board meeting to be circulated to members for information.	BS
8	Report of the Chief Executive and Auditor General	
8.1	<p>The Auditor General and Chief Executive presented his update and highlighted:</p> <ul style="list-style-type: none"> • his public interest report on Amgueddfa Cymru and the Public Accounts Committee evidence sessions; • that he had spoken at the CIPFA annual conference in Cardiff on the challenges facing the public sector in Wales and the work undertaken by Audit Wales; • that visits from the North Macedonia State Audit Office and South Korea Board of Audit and Inspection had taken place and been well received; 	

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	<ul style="list-style-type: none"> • that he had attended the Finance Committee and he intended to send a communication to update staff on the Committee's support for the Estimate for 2024-25. • that he and the Board Chair had visited Audit Scotland to observe a Board meeting. 	
8.2	In response to a question the AGW explained that the overseas visitors had been interested in his overall function, with some interest in the technical aspects of his work and quality assurance processes.	
8.3	The Board noted the report.	
9	Chair's Update	
9.1	The Chair presented her written report which outlined her activity since her last update and highlighted her engagement activity, including the visit to Audit Scotland which gave an insight to the similarities of the issues facing both Audit Scotland and Audit Wales.	
9.2	The Chair formally welcomed Chris Bolton to his first Board meeting as an elected employee member.	
9.3	The Board noted the report.	
10.	Fee Scheme 2024-25	
10.1	The Head of Finance presented a paper seeking the Board's approval of the Fee Scheme for 2023-24 as attached to the draft Estimate previously approved by the Board. The EDAS explained that the Finance Committee had asked for feedback on the impact of ISA315 and she would review that once 2023-24 audits were complete, but the Fee Scheme was predicated on maintaining the current skills mix for audits.	
10.2	The Board approved the Fee Scheme for 2023-24 for consideration by Finance Committee.	
11	Integrated Performance Report	
11.1	<p>The EDCC presented the quarter two performance update covering the current areas of focus for the ELT, key strategic risks, the financial position to the end of October and delivery against the annual plan KPIs and the five-year strategy. She explained that:</p> <ul style="list-style-type: none"> • performance against the KPI for employee engagement / experience was lower than the median point for the civil service, though the recent pulse survey results from the ELT roadshows were more positive; • the areas for focus for the ELT, including development of the workforce plan and plan to address the audit backlog, reviewing responses to the staff survey, monitoring income and reviewing the impact of the overtime pilot. 	
11.2	<p>The Board discussed:</p> <p><u>Strategic risks</u>, noting that there were no new or closed risks, and seeking to understand whether the Delphi risk review had impacted the register. The EDCC explained that risks had been reviewed following the Delphi session, but this had not resulted in a change in priority risks; risk appetite had also been reviewed and would be presented to the Audit & Risk</p>	

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	<p>Assurance Committee in December. In response to a question the EDCC assured the Board that the ELT had considered whether to add a specific risk in respect of organisational culture but was satisfied that this was adequately reflected in other risks and actions, in particular those relating to employee engagement.</p> <p><u>Finances</u>, noting the positive income forecast but that the year-end position would be dependent on maintaining the momentum in delivering income so clear, consistent and timely communication with staff around expectations for delivery would be important. The Board was however pleased to see that more accurate data from Hub planner was providing greater confidence in the figures.</p>	
11.3	<p>The Board discussed the impact of</p> <ul style="list-style-type: none"> • the overtime pilot in addressing the backlog and contributing to income; • vacancies on income; • the split between funding through the WCF or fees on income; and • changes to audit deadlines in assessing progress in addressing the backlog. <p>In light of these complexities the Board was keen to ensure that the integrated performance report contained the right data at the right level of granularity for it to monitor, scrutinise and challenge effectively. The Board noted that a review of the integrated performance report was scheduled for March 2024 and an item would be tabled for the March Board meeting.</p>	BS
11.4	<p>In response to a question on how the GPX function might be used to extend the impact of the Auditor General's work, the EDCC explained that a paper would shortly be considered by the ELT on maximising the use of the GPX team and she would be happy for that to be tabled for the Board to note at a future meeting.</p>	BS
11.5	<p>The Board otherwise noted the report and confirmed its support for the ELT's areas of focus.</p>	
12	Report from the Chair of the R&HRC (November meeting) Part 1 (confidential - taken in private)	
12.1	<p>The Chair reminded the meeting that due to a conflict of interest employee members and observers would leave the meeting for the discussion and decision on the Report from the Chair of the R&HRC (November meeting) Part 1. The Head of Finance would remain to answer questions, then leave for the decision to be taken. The Board Secretary would remain to maintain the record.</p>	
12.2	<p>Anne Beegan, Chris Bolton, Eleanor Ansell, Alice King and Matthew Hockridge left the meeting.</p>	
12.3	[redacted]	
12.4	[redacted]	
12.5	Nicola Evans left the meeting.	
12.6	[redacted]	
12.7	[redacted]	

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12.8	Anne Beegan, Chris Bolton, Eleanor Ansell, Alice King and Mathew Hockridge rejoined the meeting.	
13	Report from the Chair of the R&HRC (November meeting), Part 2	
13.1	The Committee Chair presented the report of the Remuneration and HR Committee meeting held on 14 November and highlighted the recommendations to Board for approval. She explained that the Committee was supportive of the flexible working proposal but had suggested that the pilot would benefit from a more structured approach. The Committee would consider a revised proposal at its meeting in February 2024 and make a recommendation to the Board at that time.	
13.2	<p>The Committee Chair updated the Board on the delivery of the People and Organisation Development Strategy and highlighted that members who were not part of the R&HRC were welcome to provide their input. She reported that while there had been some slippage in delivery the Committee was content with progress. As recommended by the Committee, the Board:</p> <ul style="list-style-type: none"> • noted the progress made on the actions within the People and Organisation Development Delivery Plan and the Well-Being Strategy Delivery Plan; • noted the impact of resource issues on the delivery of priorities; and • approved the revised timescales for delivery of actions within the People and Organisation Development Strategy and the Well-Being Strategy. 	
13.3	<p>The Committee Chair explained that the Committee was not fully assured regarding performance management processes and, as recommended by the Committee, the Board</p> <ul style="list-style-type: none"> • noted the progress made in objective setting; and • endorsed the suggestions made by the Remuneration and HR Committee for: <ul style="list-style-type: none"> (a) incorporating clearer requirements and consequences for non-compliance in the Performance Management Toolkit; and (b) the development of suitable processes and management information to enable the ELT to effectively monitor the implementation and quality of the performance management process. 	
13.4	The Board approved revised Learning and Development Policy, subject to minor amendments for clarity.	
13.5	The Board otherwise noted the report.	
14	Board Communications	
14.1	<p>The EDCC presented a paper incorporating a Board communications plan which was intended to:</p> <ul style="list-style-type: none"> • provide clarity on the purpose of Board communications; • identify and document the opportunities for Board members to communicate and engage with external and internal stakeholders; 	

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	<ul style="list-style-type: none"> • set out how and when Board members might engage internally and externally, exploiting their positions appropriately; • clarify specific 'Do's and Don'ts'; and • offer a proportionate and deliverable approach. 	
14.2	<p>The Board welcomed the plan which offered clear boundaries and supported its aim for increased transparency. The Board discussed:</p> <ul style="list-style-type: none"> • the post meeting blog, agreeing to replace this with a summary of the meeting to support the papers that could be shared with staff; • employee members' role in communicating with and listening to staff, which might be better served by periodic attendance at team meetings rather than two annual sessions; • the potential for periodic Board drop-ins, with a theme or specific purpose, subject to timing this appropriately taking account of other activity such as ELT roadshows. 	
14.3	The Board was content with the planned approach, subject to minor amendments to reflect its discussions.	
15	Welsh Language	
15.1	The EDCC introduced a paper providing the Welsh Language Strategy for retrospective approval and the Annual Report on delivery and compliance with the Welsh Language Standards. The Head of Communications provided a brief outline of the drivers for and purpose of the strategy which was not a legal requirement but intended to demonstrate Audit Wales's commitment.	
15.2	<p>The Board discussed:</p> <ul style="list-style-type: none"> • the language of the strategy and how this might support a culture where staff were comfortable to use their Welsh regardless of the level of their fluency; • the tone of the strategy, balancing compliance with aspirations; • processes to check compliance with the Welsh Language standards noting that the Welsh Language Commissioner conducted periodic spot checks; and • developing staff awareness and encouraging staff to use and practice their Welsh. 	
15.3	The Board approved the Welsh Language Strategy for 2023-27 and noted the Welsh Language Report for 2022-23.	
16	Generative Artificial Intelligence Policy	
16.1	The EDCCS introduced a paper seeking approval of a Generative Artificial Intelligence (GenAI) Policy. The Head of Law and Ethics explained that while the Information Governance Policy incorporated a brief section on GenAI this was not sufficient to meet the expectations of staff who were looking for clear and specific guidance. He explained that the policy included a process for approving tools for specific purposes, with the EDCCS retaining overall responsibility for ensuring any such tools were safe and had suitable IT security.	

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16.2	In response to a question on the current level of use of AI, the Head of Law and Ethics explained that there were credible but unsubstantiated suggestions that AI was being used. He explained that there was an appetite from staff to explore available tools and a policy and clear process was the preferred approach in such a fast-moving area.	
16.3	The Board discussed: <ul style="list-style-type: none"> • whether a standalone policy was necessary pending the deep dive by the A&RAC in February; • whether other policies covered the use of GenAI, noting that the current Information Governance policy had some cover and current IT processes would block some AI from Audit Wales systems but not all; • definitions of AI and GenAI and what would constitute 'use'; and • the importance of both raising staff awareness and understanding the current level of use of AI. 	
16.4	The Board approved the standalone GenAI policy, together with the consequential amendment to the Information Governance Policy.	
16.5	The Board noted that the deep dive at the A&RAC would provide an opportunity to fully understand and address the risks associated with the use of GenAI.	
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 Chair explained that she was liaising with Matthew Edwards, Audit Director on how to offer North Wales based staff the opportunity to engage with the Board when it was in North Wales for its meeting in February 2024.	
18	Any other business	
18.1	There was no other business.	
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 high quality and level of scrutiny and challenge; • the open and welcoming environment; • the potential value of Board only drop-ins for staff; and • their positive experience of flexible working. 	
20	Date of next meeting	
20.1	Board meeting – 05 and 06 December 2023, Cardiff (Development); 12 and 13 February 2024, North Wales	