

Wales Audit Office Board
Minutes of the meeting on Wednesday 12 and Thursday 13 February 2025

Members:

Ian Rees	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
Chris Bolton	Elected employee member
Darren Griffiths	Appointed employee member
David Francis	Non-executive member, Senior Independent Director and Chair of the Audit & Risk Assurance Committee
Michael Norman	Non-executive member
Richard Thurston	Non-executive member

Apologies:**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)
Matthew Hockridge	Head of Planning & Reporting (items 5 and 7)
Terry Jones	AD&G Manager Audit Quality & Policy (item 6)
Tom Haslam	AD&G Manager Performance Audit (item 6)
Shelley Evans	Finance Lead (item 7)
Laurie Davies	Head of Business Services (item 12)

Observers:

Cara Owen	Senior Auditor (Performance) (items 1 to 6)
Tomos Jones	Senior Auditor (Performance) (Items 1 to 9)

Item	Agenda
1	Welcome and apologies
2	Declarations of interests
3	Review of meeting minutes: 13 & 14 November 2024
4	Review of the action tracker
5	Annual Plan 2025-26
6	Horizon Scanning (Audit Services)
7	Integrated Performance Report: Q3
8	Audit and Risk Assurance Committee: Report from Chair
9	Remuneration and HR Committee: Report from Chair (part 1)
10	Chief Executive's Update: ELT redesign
11	Remuneration and HR Committee: Report from Chair (part 2)
12	Report of the Chief Executive and Auditor General

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Item	Agenda
13	Chair's Report, including Development Day Outputs
14	Review of the forward work programme
15	Any other business
16	Review of the meeting
17	Date of next meetings

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	On behalf of the Board, the Chair offered sincere condolences to the AGW and his family upon their recent bereavement.	
2	Declarations of interest	
2.1	The Executive Directors declared an interest in item 10 (ELT redesign) and would leave for this item. Employee members and other staff present declared an interest in item 11 (Remuneration and HR Committee: Report from Chair (part 2)) which related to pay. The Chair noted that employee Board members would leave for this item. The Board Secretary would remain throughout to maintain the record of the meeting. The observers would leave before consideration of items 10 and 11.	
3	Review of meeting minutes: 13 & 14 November 2024	
3.1	Subject to a minor correction, the Board approved the minutes of its meeting on 13 and 14 November 2024 as an accurate record.	
3.2	The Board noted that the Welsh Language Strategy group had been reconvened and had developed an implementation plan for the promotion and delivery of the Welsh Language Strategy.	
4	Review of action tracker	
4.1	The Board received updates against actions which the Board Secretary would reflect on the tracker.	
5	Annual Plan 2025-26	
5.1	The EDCC introduced the updated draft Annual Plan for 2025-26. The Auditor General outlined the approach taken by the ELT to develop the priorities for the year ahead, with fewer but more sharply focussed priorities. He provided an overview of, and the rationale for, each priority and explained that detailed business plans would be developed to support delivery of the priorities.	
5.2	The Board discussed: <ul style="list-style-type: none"> the number and content of priorities, which had evolved both to reflect progress and lay the ground for changes anticipated; 	

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	<ul style="list-style-type: none"> the timescales for the delivery of the priorities, suggesting that management review the timeframe for delivery of priority three and consider whether the column for 2027-28 was necessary as the priorities would be delivered over two years; exploring staff engagement with the annual plan as part of the forthcoming roadshows; and the external audiences for the Plan, noting that specific feedback was not sought from external stakeholders on the document, but related questions were raised in the stakeholder survey and Finance Committee scrutiny was provided through regular evidence sessions. 	ELT / HoP&R
5.3	The Head of Planning and Reporting updated the Board on the development of the KPIs and advised that the Risk Appetite Statement would be updated following review by the Audit & Risk Assurance Committee.	
5.4	<p>The Board discussed the KPIs and encouraged management to consider:</p> <ul style="list-style-type: none"> the descriptions of 'what success will look like' to provide clarity of information for users of the Plan; demonstrating the link between the priorities and the KPIs; and how progress could be demonstrated over time, for example, by showing achievement against previous targets. 	ELT / HoP&R
5.5	The Board noted that the final draft Annual Plan would be presented for approval in March 2025.	
6	Horizon Scanning (Audit Services)	
6.1	The EDAS introduced an update on the audit operating environment and outlined how Audit Horizons would provide a framework for forward planning and to inform delivery of the five-year strategy.	
6.2	<p>The AD&G Manager Audit Quality & Policy drew the Board's attention to key matters in the audit environment and their implications for Audit Wales, including:</p> <ul style="list-style-type: none"> local audit in England, the historical backlog and the outcomes of the Redmond review and the Local Audit System consultation; the Audit Reform Bill, and recommendations from the Kingman, Brydon and CMA reviews; the government response to the Audit Reform Bill; changes from traditional partnership funding models at the firms to private equity investment; emerging findings in respect of Assurance of Sustainability Reporting; emerging findings from the NHS Audit Market Study in England and the potential impact on market capacity (albeit different processes apply in England); the consultation on the FRC review of Small and Medium sized Enterprises; and the Centre for Public Interest Audit Trust Index 2024. 	

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6.3	In response to a question on whether changes in approach or technological developments would impact training requirements, the AD&G Manager Audit Quality & Policy explained that the core qualification was adapted in response to developments and while there would be requirements for specialist skills it was unlikely that there would be a wholesale change in the workforce.	
6.4	The Board discussed and noted the update which would inform the wider environmental review and risk analysis planned to support the development of the Estimate and Annual Plan for 2025-26.	
7	Integrated Performance Report: Q3	
7.1	The EDCC presented a paper, supported by the Management Information Dashboard, which provided the quarter three integrated performance report.	
7.2	The EDAS sought feedback on whether the Board was content with the narrative report provided on audit delivery or whether a visual update showing trends, identifying variances and providing relevant explanation would be more valuable. The Board agreed that the visual update would be helpful.	EDAS
7.3	<p>The Board discussed the KPIs, including:</p> <ul style="list-style-type: none"> KPI1 which now allowed for an adjustment in the figures so that late received accounts would not be included in the measure of performance. The Board noted that this KPI measured delivery against statutory deadlines, which was affected where bodies did not submit their accounts on time. The EDAS explained that the change provided clarity as audited bodies were responsible for meeting the statutory requirements for submitting their accounts; while auditors could not ensure bodies met deadlines, they maintained close contact and she wrote to bodies where there was a failure to meet the statutory deadline. the RAG ratings for KPI delivery, noting that actions were in place to improve performance where that was within Audit Wales control. KPI16 relating to the cost of savings, suggesting that a supporting narrative would be helpful to provide context. 	EDCC / HoP&R
7.4	<p>The Finance Lead summarised the financial position and explained that a year-end surplus was expected, notwithstanding additional expenditure. The Board discussed:</p> <ul style="list-style-type: none"> the overall financial position, including the savings identified, the underspend against budgets and over delivery of income; the additional expenditure, seeking assurance that this had been evaluated to ensure a valuable outcome and noting that it related largely to planned spend that had been brought forward; whether it would be possible to mitigate higher levels of income, noting that opportunities to do so were limited; 	

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	<ul style="list-style-type: none"> the impact of potential further vacancies before year-end on the KPI to deliver a surplus of no more than 2% of gross expenditure; the Finance Lead would ask the Head of Finance to review the impact of further vacancies before year-end on the forecast, noting that if the 2% tolerance was exceeded there were valid explanations. <p>The Board was keen to understand the reasons for the underspends and over delivery of income and noted that the ELT had requested and would be considering a forensic analysis. It was however concerned that there were limited opportunities to plan spend at this point in the year to mitigate the forecast surplus.</p>	HoF
7.5	The EDCC provided a brief overview of the workforce and risk reports and outlined the ELT's current areas of focus.	
7.6	The Board noted the report.	
8	Audit and Risk Assurance Committee: Report from Chair	
8.1	<p>The Chair of the A&RAC presented his report of the Committee's meeting on 12 December 2024, and highlighted:</p> <ul style="list-style-type: none"> the assurance provided by the internal audit review of the IT infrastructure, the report on procurement for the year to date and the report on balance sheet movements; and that the Committee had encouraged management to consider taking a stronger approach to setting the risk appetite and this would be considered further at the Committee's next meeting. <p>He invited the Board to provide its input on the subject of the Committee's next risk deep dive.</p>	
8.2	The EDCS provided a brief update on the delivery of both the Internal Audit programme and actions in respect of internal audit recommendations. He explained that several internal audit reports had been received ahead of the February meeting of the Audit and Risk Assurance, but limited time had been allowed for management to consider the substance of the reports or provide a response ahead of the paper deadline for that meeting.	
8.3	<p>The Board</p> <ul style="list-style-type: none"> confirmed that it was content for the Committee to conduct a focused deep dive into risk 28 (IT infrastructure); endorsed the proposed approach to seeking Cyber Essential Plus accreditation by the end of July 2025; and otherwise noted the report, including the update regarding the timeliness of internal audit reporting. 	
9	Remuneration and HR Committee: Report from Chair (part 1)	
9.1	The Committee Chair presented the report of the Remuneration and HR Committee meeting held on 23 January 2025. She highlighted that the Committee was continuing to monitor performance management processes and was assured by the rigor with which the new system module was being developed and tested.	

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9.2	The Board noted the report.	
10	Chief Executive's Update: ELT redesign (to be redacted for reasons of confidentiality, data protection and commercial sensitivity)	
10.1	The Executive Directors left the meeting.	
10.2	Redacted	
10.3	Redacted	
10.4	Redacted	
10.5	Redacted	
10.6	Redacted	
10.6	The Executive Directors rejoined the meeting.	
11	Remuneration and HR Committee: Report from Chair (part 2) (to be redacted for reasons of confidentiality and commercial sensitivity)	
11.1	The Employee Board members left the meeting.	
11.2	Redacted	
11.3	Redacted	
11.4	Redacted	
11.5	The Employee Board members rejoined the meeting.	
12	Report of the Chief Executive and Auditor General	
12.1	<p>The Auditor General and Chief Executive presented his update and highlighted:</p> <ul style="list-style-type: none"> the publication of his national reports on the financial sustainability of local government and cancer services, and the extensive press coverage of the cancer services report; and the ongoing programme of external engagement which included GPX events, evidence sessions at Senedd Committees and receiving delegations from Kosovo and Iraq. 	
12.2	The EDCS updated the Board on the relocation of the West Wales office and explained that the costs for the fit-out of the new office were significantly higher than the initial budget. However, as the business case was still valid financially, and the move would provide a more sustainable and improved working environment, the ELT had agreed to proceed as planned. In addition, the landlord had also unexpectedly indicated its intention to charge VAT on the rental payments.	
12.3	The Head of Business Services explained that to complete the fit-out of the office in the current financial year she needed to instruct the contractors to proceed, and she was seeking the Board's approval to issue that instruction, to enable the move to proceed as planned while continuing to negotiate in respect of the VAT. She explained that there had been no	

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	prior expectation that VAT would be charged, and it remained unclear whether VAT would be charged on the rent and/or service charge.	
12.4	The Board discussed the increase in fit-out costs, the reasons for the increase, the impact on the business case overall and the financial impact on both revenue and revenue and capital combined. The Head of Business Services explained that some costs had escalated legitimately, some due to unknowns, she had negotiated to mitigate those increases as far as possible and on the worst-case scenario the business case still supported the move.	
12.5	The Board noted that the situation was not fully resolved, but on the basis that: <ul style="list-style-type: none"> the business case still justified the move (with revenue savings of £130,000 and revenue and capital savings of £200,000 on the worst-case scenario); and that the EDAS would work with the Head of Business Services to resolve the VAT situation, approved proceeding with the move and authorised the Head of Business Services to instruct the contractors to commence the fit-out.	
13	Chair's Report, including Development Day Outputs	
13.1	The Chair updated the Board on his activity since the last meeting, highlighting the value of attending the Audit Quality Committee and the high regard in which Audit Wales was held by other organisations.	
13.2	He presented, and the Board confirmed that it was content with: <ul style="list-style-type: none"> its development programme for 2025-26; and its business plan (priorities) 2025-26. 	
14	Review of the forward work programme	
14.1	The Board discussed the forward work programme which the Board Secretary would update.	
15	Any other business	
15.1	The Board briefly discussed how Audit Wales financial reporting information could be developed to both provide greater clarity, for example on income generation, and to support improved forecasting. The Chair would discuss this with the EDCS and EDAS.	Chair, EDCS, EDAS
16	Review of the meeting	
16.1	The Chair invited feedback on the meeting and members suggested that they would value condensing some meetings into a single session where feasible. The Chair and Board Secretary would consider this when planning the forward work programme.	Chair / BS
17	Date of next meeting:	
17.1	All-staff Conference, Wednesday 19 March 2025, Cardiff Board meeting, Thursday 20 March 2025, Cardiff	