

WALES AUDIT OFFICE BOARD**MINUTES OF THE MEETING ON WEDNESDAY 27 AND THURSDAY 28 JANUARY 2021****Members present:**

Lindsay Foyster	Chair and non-executive member
Adrian Crompton	Chief Executive and Auditor General for Wales
Alison Gerrard	Non-executive member and Chair of the Remuneration & HR Committee
Amanda Hughes	Elected employee member
Anne Beegan	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
Kevin Thomas	Appointed employee member and Executive Director of Corporate Services (EDCS)

Apologies: None

In attendance:

Katherine Drysdale	Law and Ethics Specialist (minutes)
Lee Cartwright	Employee Experience Director, BMG research (item 3)
Amanda Jenkins	Planning and Reporting Specialist (items 4, 8 and 9)
Angharad Clemens	Audit Trainee and member of the ELT (item 3)
Ann-Marie Harkin	Audit Director and member of the ELT (item 3)
Clare James	Audit Manager & member of the ELT (item 3)
Laurie Davies	Head of Business Services (item 7)
Lisa Williams	Audit Manager and Chair of Travel and Subsistence Task & Finish Group (item 12)
Nicola Evans	Head of Finance (items 4 and 8)
Siobhan Cole	Head of Human Resources (item 3)
Steven O'Donoghue	Director of Finance and HR (item 12)

Observing:

Sabel William	Audit Trainee
Morgan Burchell	Audit Trainee (items 1, 2, 3 and 4)

Item	Agenda
Part 1: preliminaries	
1	Chair's welcome and apologies for absence
2	Declarations of interest
Part 2: strategic discussion	
3	Staff survey 2020: presentation of results from BMG and management's response
4	Fees and estimate strategy briefing
Part 3: for discussion	
5	Update from the Auditor General & Chief Executive
6	Update from the Chair
7	Estates strategy
8	Performance review including the strategic risk report and the finance report
9	The draft annual plan 2021-22
Part 4: for approval	
10	Minutes of the meeting on 24 and 25 November 2020 and any matters arising (using the action tracker)
11	Report from the Chair of the Audit and Risk Assurance Committee
12	Report from the Chair of the Remuneration and HR Committee
13	Board effectiveness review
14	The Board's work programme 2020-21
15	Any other business
16	Date of next meeting: 17 and 18 March 2021

Item	Minutes	Action
Part 1: preliminaries		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance; there were no apologies for absence.	
1.2	Elinor Gwynn would produce the blog of the meeting.	EG
2.	Declarations of interests	
2.1	Amanda Hughes, Anne Beegan and Kevin Thomas declared interests in item 11 (Report of the Chair of the Remuneration and HR Committee).	
Part 2: strategic discussion		
3.	Staff Survey 2020	
3.1	The Board received a presentation on the results of the People Survey from BMG research.	
3.2	The Head of HR presented management's response to the results of the People Survey and outlined the work that was underway and proposed to address the areas for improvement identified from the survey results. She explained the approach to prioritising the key improvement areas of learning and development and change management, while maintaining a	

Item	Minutes	Action
	watching brief on emerging issues around pay and benefits and managing performance.	
3.3	<p>The Board discussed issues arising from the survey and management's response including:</p> <ul style="list-style-type: none"> • the need for clear communication to signpost staff to the complete range of training available; • how opportunities for career progression could be developed in a small organisation with low staff turnover; • the impact of an extended period of remote working on the ability to provide critical learning experiences through team working; • the impact of change upon staff and the pressures of change projects on resource planning; • performance management, in particular, achieving consistent management of poor performance; and • the impact of the travel and subsistence review on staff and their perception of the pay and benefits package. 	
3.4	<p>The Board:</p> <ul style="list-style-type: none"> • agreed that management's analysis of the results was appropriate; • endorsed the prioritisation of activities to address the improvement areas; • encouraged management to consider how to capture, and subsequently communicate, the impact of actions taken in response to the survey; • agreed that the Remuneration and HR Committee would monitor the success of activity in relation to Learning and Development with a view to providing assurance to the Board; and • agreed that it would consider the comments made about the Board and its leadership as part of its effectiveness self-assessment. 	R&HRC
4.	Fees and estimate strategy briefing	
4.1	The EDCS presented a paper outlining a proposal and timeline for a review of Audit Wales funding which would inform the development of a fit for purpose funding strategy aligned to the medium-term financial plan.	
4.2	The Head of Finance gave a brief presentation in which she outlined the current funding model, proposed the objectives for the review and suggested areas of funding which might fall within the scope of the review.	
4.3	<p>The Board agreed:</p> <ul style="list-style-type: none"> • the objective of developing a simple, transparent, flexible and sustainable funding strategy; • the timeline for the review; • that the review would cover all areas of funding, save for those which could not be changed for legislative reasons which would be noted in the review, subject to a clear steer from management on the areas of focus; and • the review would explore how costs are allocated and take account of fee benchmarking. 	
4.4	To support members understanding of fees and funding, the EDCS would arrange for relevant resources to be deposited in the Board reference library and for an information session to be delivered to members.	EDCS

Item	Minutes	Action
5.	Update from the Auditor General & Chief Executive	
5.1	<p>The Auditor General and Chief Executive presented his written report and highlighted that:</p> <ul style="list-style-type: none"> • he had issued a letter to Chief Executives explaining his approach to managing his work during the ongoing pandemic; • the Welsh Government had written to local government bodies in Wales confirming that extended timescales for the preparation of draft accounts and publication of final audited accounts would also be provided this year; • long listing of potential applicants for the role of Executive Director of Audit Services was underway and, if suitable candidates were identified, interviews would take pace during February; • seven applications had been received for voluntary exit and business cases were being developed; and • a proposal for the provision of internal audit services for 2021-22 under the extension of the current contract was being prepared by PwC and this would be reviewed at the next meeting of the Audit & Risk Assurance Committee to ensure that that the proposal incorporated adequate work to provide a robust audit opinion whilst providing a value for money service.. 	
5.2	<p>The Auditor General and Chief Executive verbally updated the Board on Covid-related absence and plans for return to the office which would follow a priority-based approach. The Board noted that management were monitoring staff well-being and considering support requirements on a case by case basis. The Board requested that the Chief Executive include further updates in his future reports to the Board.</p>	AGW
5.3	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • the potential implications of the establishment of corporate joint committees (under the Local Government & Elections (Wales) Bill) on the Auditor General's work; • communicating the Board's commitment to audit quality – the EDCS would arrange for an update to be provided to staff on the work of the Audit Quality Committee and the Chair's role as Board link for quality; • cyber resilience, noting the role of the Audit & Risk Assurance Committee in carrying out an annual review to provide assurance to the Board, which would be supported by periodic updates through the Chief Executives report. 	EDCS
5.4	<p>In response to a question on the Change Programme, the AGW indicated that he would arrange for progress updates to be highlighted on the change portfolio tracker so developments between meetings could be easily tracked.</p>	AGW
6.	Update from the Chair	
6.1	<p>The Chair presented her written update to the Board, highlighting that she would be working with the Board Secretary to develop a clearer process for virtual decision-making which would incorporate advice for the authors of papers.</p>	LF/KD
7.	Estates strategy discussion	

Item	Minutes	Action
7.1	The Head of Business Services presented a paper outlining a proposal to refine the Estates strategy to reflect changes in the working and operating environment since approval of the strategy in 2019.	
7.2	<p>The Board endorsed:</p> <p>a) the ELT steer for a clear and succinct strategy;</p> <p>b) the vision, mission and aims, subject to minor amendments:</p> <ul style="list-style-type: none"> • for clarity; • to reflect the economic, social, environmental and cultural elements of sustainability; and • to incorporate reference to resilience; <p>c) the proposal that a reduced number of feasible options be considered for Audit Wales future workplaces;</p> <p>d) the principles for assessment of the options which should focus on:</p> <ul style="list-style-type: none"> • cost (office space and other costs such as travel); • meeting business needs while supporting staff to be productive and produce high quality audits; and • environmental impact. 	
7.3	The Board acknowledged that while an office in Cardiff would provide a practical base close to the Senedd for the AGW, this was not an absolute requirement and all practical options should be assessed.	
7.4	The Board approved the extension of the Penllergaer office lease to align with the end of the Cardiff lease so that options for South Wales could be considered holistically.	
8.	Performance review including the strategic risk report and the finance report	
8.1	The EDCS presented a paper providing a financial summary together with an update on the strategic risk register. He highlighted the potential forecast surplus, which would be sufficient to cover any voluntary exit payments. The Board noted its earlier steer that that the additional funding provided by the Supplementary Estimate would be applied primarily to fund voluntary exits, but there had been only 7 applications to date.	
8.2	The Board discussed the revised risk register and agreed that it was content with the closed and de-escalated risks. The Board briefly discussed the de-escalated risk around HR capacity, which would continue to be monitored by the Remuneration and HR Committee.	R&HRC
8.3	The Board reviewed the new and escalated risks and, subject to minor amendments to clarify some descriptions, agreed that the register accurately reflected the outcomes of the reviews conducted by the Board and the ELT.	
9.	The draft annual plan 2021-22	
9.1	<p>The EDCS presented the draft annual plan for 2021-22 inviting the Board to consider:</p> <p>a) retaining the general structure as per the current plan;</p> <p>b) headline themes for the analysis of our operating environment;</p> <p>c) areas of focus for the work programmes, including priorities and resource implications; and</p> <p>d) appropriate targets for the key performance indicators.</p> <p>He explained that the draft had been informed by performance against the KPIs in last year's annual plan and incorporated performance against delivery of the change programme.</p>	

Item	Minutes	Action
9.2	The Board considered the draft plan and was content with the structure of the document, noting that the narrative for the foreword would be developed to provide the context for the body of the plan. The Board reminded the EDCS of the commitment to consider providing a bilingual foreword in both the Welsh and English versions of the report.	
9.3	The Board discussed the operating environment and made suggestions for the plan to: <ul style="list-style-type: none"> • incorporate equality / inclusion considerations to reflect how the operating environment impacted on different groups; • recognise the financial impact of Covid-19 and the longer-term financial background of austerity; • recognise the surge in public spending as a result of Covid-19 and the potential governance implications. 	
9.4	The EDCS highlighted that the work programme had not been scaled back but, in an unpredictable operating environment, the plan reflected the need to be flexible and adaptable. The Board endorsed that approach and encouraged management to consider: <ul style="list-style-type: none"> • using bolder, more direct language in the report; and • how to capture the wider and longer-term impact of the Auditor General's work. 	
9.5	The EDCS reminded members that a review of the KPIs and ambitions would be planned for later this year to inform the 2022-23 Annual Plan. The Board made suggestions which the EDCS would take into account in reviewing the targets for the KPIs. The Board agreed that it would carry out a review of progress against delivery of the strategic ambitions in 2021 at the mid-point of the 5-year strategy. The Board Secretary would add the review into the Board's forward business programme.	KD
9.6	The Board would receive the final draft annual plan for consideration and approval in March.	
Part 4: for approval		
10.	Minutes of the meeting on 24 and 25 November 2020 and any matters arising (using the action tracker)	
10.1	Subject to a typographical correction, the Board approved the minutes of its last meeting as an accurate record.	
10.2	The Board considered the actions outstanding from its previous meetings using the tracker and noted that the EDCS planned to bring a recommendation on Board support arrangements (action 20/029) to the Board in March.	
11.	Report from the Chair of the Audit and Risk Assurance Committee	
11.1	The Chair of the Audit & Risk Assurance Committee presented the Report of the Committee's meeting on 15 December 2020.	
11.2	The Board considered the Committee's recommendation to revisit Audit Wales crisis management methodology and agreed that the Board Chair and EDCS should consider the timing for such a review, taking account of the internal audit plan (which might include a review of business continuity) and the planned annual business continuity exercises.	LF / EDCS
11.3	The Chair of the A&RAC invited the Board's views on a short moratorium on future strategic risk and assurance reviews by the Committee to alleviate the pressure on management. The Board agreed that a	

Item	Minutes	Action
	moratorium for one or two meetings would be appropriate and would allow time to determine topics where review by the Committee would provide valuable assurance.	
11.4	The Board briefly discussed the purpose of the assurance map and noted the distinction between the strategic risk register and the assurance map. The Board Secretary agreed to incorporate a review of the assurance map in the Committee's work programme, to ensure that it appropriately reflected the annual plan.	KD
11.5	The Board noted the other matters summarised in the Committee's report.	
12.	Report from the Chair of the Remuneration and HR Committee	
12.1	The Chair of the Remuneration & HR Committee presented the report of the Committee's meeting on 19 January 2021. She drew the Board's attention to the Committee's recommendations on: <ul style="list-style-type: none"> • the proposed pay and reward strategy for 2021-22; • the steers provided for the travel and subsistence review; and • the extension of the timeline for the travel and subsistence review. 	
12.2	The Board briefly discussed its risk appetite for deviating from Welsh Government pay guidance in the current climate, recognising that it would be able to look at pay and reward matters in the round given the timing of the travel and expenses review.	
12.3	The Board considered the steers recommended for the travel and subsistence review and noted: <ul style="list-style-type: none"> • the importance of assurance for both the Board and the Auditor General as Accounting Officer on the governance and practical arrangements for any loan scheme proposed; and • that the proposed extension of the timeline would not delay implementation and members would be invited to attend an additional meeting of the R&HRC in late May to contribute their views. 	KD
12.4	The Board discussed the scope and potential costs implications of options for the transition from the current travel and subsistence scheme to new arrangements and asked for clear costings to be provided for options presented for consideration.	LW
12.5	The Board approved the Committee's recommendations and noted the other matters summarised in the Committee's report.	
13.	Board effectiveness review	
13.1	The Chair presented a paper outlining the proposed approach for <ol style="list-style-type: none"> a) conducting a self- evaluation of Board effectiveness for reporting in the 2020-21 annual governance statement; and b) commissioning an external independent evaluation of its effectiveness in 2021 to meet good practice and the commitment made to Finance Committee. She highlighted changes made to the self-evaluation questionnaire and encouraged members to complete the comments box for each section as fully as possible to support and explain the scoring and highlight what's working well and areas of improvement.	
13.2	The Board approved the proposal and members agreed to complete the self-assessment on an individual basis by 19 February 2021.	All

Item	Minutes	Action
14.	The Board's work programme 2020-21	
14.1	The Board discussed its provisional work programme and agreed that an information session on fees and funding would take place instead of the slot allocated for strategic discussion at its meeting in March. The Chair would work with the EDCS to scope that session.	Chair / EDCS
14.2	The Board noted that it had previously planned to consider how members might engage with external stakeholders as part of the Communications and Engagement strategy. The Chair and the EDCS would consider the timing for an update with the new Executive Director for Communications and Change.	Chair / EDCS
15.	Any Other Business	
15.1	There was no other business.	
16.	Date of next meeting	
16.1	Wednesday 17 and Thursday 18 March 2021	