

**WALES AUDIT OFFICE BOARD**  
**MINUTES OF THE MEETING ON THURSDAY 18 MARCH 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:**

**In attendance:**

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services
Katherine Drysdale	Law and Ethics Specialist (minutes)
Laurie Davies	Head of Business Services (item 6)
Nicola Evans	Head of Finance (items 7 and 8)
Matthew Hockridge	Head of Planning and Reporting (items 7 and 8, and 12 for minute taking)

Item	Agenda
<b>Part 1: preliminaries</b>	
1	Chair's welcome and apologies for absence
2	Declarations of interest
<b>Part 2: for discussion</b>	
3	Update from the Auditor General & Chief Executive
4	Update from the Chair
5	Board effectiveness review
6	Our Future Workplaces
7	Performance review including the strategic risk report and the finance report
<b>Part 3: for approval</b>	
8	The draft annual plan 2021-22
9	Minutes of the meeting on 27 and 28 January 2021 and any matters arising (using the action tracker)
10	Report from the Chair of the Audit and Risk Assurance Committee
11	Report from the Chair of the Remuneration and HR Committee
12	Board support arrangements
13	The Board's work programme 2020-21
14	Any other business
15	Date of next meeting: 09 and 10 June 2021

Item	Minutes	Action
<b>Part 1: preliminaries</b>		
1.	<b>Chair's welcome and apologies for absence</b>	
1.1	The Chair welcomed members and those in attendance; there were no apologies for absence.	
1.2	Alison Gerrard would produce the blog of the meeting.	AG
2.	<b>Declarations of interests</b>	
2.1	Katherine Drysdale declared an interest in item 12 (Board support arrangements) and would leave the meeting for that item. Matthew Hockridge would attend for minute taking.	
<b>Part 2: for discussion</b>		
3.	<b>Update from the Auditor General &amp; Chief Executive</b>	
3.1	The Auditor General and Chief Executive presented his written report and highlighted that: <ul style="list-style-type: none"> <li>• his report on the Welsh Government's Test, Trace and Protect programme would be published this week;</li> <li>• the outgoing Chair of the Senedd Finance Committee had provided positive feedback on the relationship and timely communications between Audit Wales and the Committee;</li> <li>• the externally managed survey of Senedd members was underway and of the members contacted only one had declined to engage so far;</li> </ul>	

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	<ul style="list-style-type: none"> <li>the Covid learning week had been highly successful with strong engagement from across the public sector in Wales and further afield – he encouraged members to view the videos and connected social media feed and would circulate the links.</li> </ul>	AGW
3.2	The Board noted the report.	
<b>4.</b>	<b>Update from the Chair</b>	
4.1	The Chair presented her written update and on behalf of the Board congratulated Ann-Marie Harkin on her appointment to the role of Executive Director of Audit Services. The Board noted that the Executive Director Team was now complete and looked forward to developing its working relationship with that team.	
4.2	The Law & Ethics Specialist reported that seven tenders had been received for the external Board effectiveness review and the scoring process was underway. She explained that work was expected to start in April and she would update the Board reference library with relevant documents and advise members by email when the appointment was made.	KD
<b>5.</b>	<b>Board Effectiveness Review</b>	
5.1	The Chair presented a paper which summarised the results of the Board self-assessment of its effectiveness and the proposed next steps. She highlighted that the Board had largely assessed itself to be moderately to highly effective. This showed a positive shift from the previous assessment, but there were still areas for improvement and the self-assessment would feed into the forthcoming external review of effectiveness.	
5.2	The Board agreed that a task and finish group should develop an initial action plan of prioritised actions, recognising that <ul style="list-style-type: none"> <li>further work would be needed to understand the reasoning and different perspectives reflected in the scoring; and</li> <li>it would be important for the Board to collectively own the actions and, where these were shared, to collaborate effectively with management.</li> </ul>	
5.3	The Board briefly considered: <ul style="list-style-type: none"> <li>the need for the action plan to incorporate a mechanism for assessing progress;</li> <li>how the timing, length and format of meetings could be developed to maximise the effective use of the Board's time;</li> <li>improving transparency and the importance of collecting staff feedback as part of the external review.</li> </ul>	
5.4	The Law & Ethics Specialist would make arrangements to establish a short-term task and finish group.	KD
<b>6.</b>	<b>Our future workplaces</b>	
6.1	The Head of Business Services presented a paper which outlined: <ol style="list-style-type: none"> <li>a revised Estates Strategy which took account of learning since the pandemic and focussed on enabling smarter working, reducing cost and environmental impact and improving staff wellbeing; and</li> <li>a high-level options appraisal for South and West Wales as a precursor for a fuller appraisal in July.</li> </ol>	

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6.2	<p>The Head of Business Services explained that:</p> <ul style="list-style-type: none"> <li>• work to develop the Audit Wales business model and embed smarter ways of working was ongoing;</li> <li>• there had been little response so far from other public bodies in respect of potential collaboration or co-location opportunities;</li> <li>• there did not appear to be a wide market of suitable premises; and</li> <li>• it had not been possible to pilot new ways of working such as the use of Hubs and activity settings due to the pandemic.</li> </ul>	
6.3	<p>The Board had a productive and wide-ranging discussion on the options and, save as outlined at paragraph 6.5 below, agreed that all the options were valid. However, the Board recognised that the operating environment was changing rapidly, and work was ongoing to explore and develop the strategic principles underlying future ways of working. The EDCS reported that he was maintaining contact with the other UK audit offices and he would deposit relevant information on future working models in the Board reference library.</p>	EDCS
6.4	<p>The Board also briefly discussed the potential for extending the leases for both South Wales premises for a further short period to allow more time to develop the working model, assess the market and the approach of other public bodies and carry out pilots. The Board agreed that this contingency could be considered further in the summer if necessary.</p>	
6.5	<p>The Board:</p> <ol style="list-style-type: none"> <li>a) approved the revised estates strategy;</li> <li>b) affirmed its previous decision to align the Penllergaer lease with the Cathedral Road lease term;</li> <li>c) discounted the option of making improvements to the existing premises due to the potentially substantial costs involved;</li> <li>d) approved the piloting of new ways of working in situ to allow staff time to trial different approaches such as activity settings and Hubs (when safe to do so);</li> <li>e) agreed to continue to consider the public estate for potential collaboration or co-location; and</li> <li>f) agreed to narrow the office search area to within a 10-mile radius of Cardiff to allow for robust analysis, as well as to support access to adequate public transport links, minimise impact on staff, improve environmental performance.</li> </ol>	
7.	<b>Performance review including the strategic risk report and the finance report</b>	
7.1	<p>The EDCS presented a paper providing a financial summary together with an update on the strategic risk register. He explained that:</p> <ul style="list-style-type: none"> <li>• an increased surplus was forecast for year-end which was largely due to staffing changes; and</li> <li>• the capital budget on target to be fully spent by year end.</li> </ul>	

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7.2	The Board noted the financial report and encouraged management to consider whether contingency planning could be developed for using any such surpluses in the future, for example, on invest to save initiatives.	EDCS/ NE
7.3	<p>The EDCS explained the changes to the strategic risk register including closure of one risk, where key elements had been absorbed into other open risks, and de-escalation of two risks to the operational risk register. He drew the Board's attention to the strategic, reputational and operational risks around audit quality which included:</p> <ul style="list-style-type: none"> <li>• the impact of remote working: although high scores had been received from the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales these related to work conducted by well-established teams and there could be an impact from longer term remote working; and</li> <li>• the work required for implementation of the new audit standards which was being considered by the Audit Quality Committee, with support from the Chair as Board link.</li> </ul> <p>The Board agreed that the risks surrounding audit quality were fundamental to delivery of the Auditor General's work and as such were a key strategic risk.</p>	
7.4	The EDCS explained that the ELT would welcome the Board's view on whether risk 0060/19 relating to embedding the organisational culture at Audit Wales should be retained on the strategic risk register. The Board was content for the risk to be de-escalated on the basis that cultural risks would be captured as a behavioural aspect to other risks.	
7.5	The Board briefly discussed the purpose and functions of the strategic and operational risk registers and the Head of Planning and Reporting reminded members that the risk strategy, which was reviewed annually, was available on the HUB.	
7.6	The EDCS outlined performance against the KPIs. He explained that the benchmarking data from the Civil Service People Survey was not yet available for 2020 but the results were expected to be stable, with the likelihood that Audit Wales scores for learning & development and leadership/change would remain below the top quartile. The EDCS confirmed that data for the KPI on audit quality was not yet available, but reviews for both financial and performance audit were underway, albeit a little later than usual because of timetable revisions due to Covid 19.	
7.7	The Board was assured by the progress reported, endorsed the revisions to the risk register and otherwise noted the contents of the report.	
<b>Part 4: for approval</b>		
8.	<b>The draft annual plan 2021-22</b>	
8.1	The Head of Planning and reporting presented the final draft annual plan for 2021-22. He explained that the section on the operating environment was in development to take account of the Board's comments and invited the Board's input in particular on the areas of focus.	

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8.2	The Board made some suggestions for developing and strengthening the areas of focus recognising that these were often not mutually exclusive to either running the business or audit delivery, and that the annual plan was drafted to meet statutory requirements for both the Auditor General and the Wales Audit Office.	
8.3	The Board approved the near final draft annual plan 2021-22 for laying before the Senedd by 31 March 2021, delegating to final approval of the foreword, operating environment section and document design to the Chair jointly with the Auditor General.	LF/AGW
<b>9.</b>	<b>Minutes of the meeting on 27 and 28 January 2021 and any matters arising (using the action tracker)</b>	
9.1	Subject to correction of the attendee list, the Board approved the minutes of its last meeting as an accurate record.	
9.2	The Board noted that a SharePoint version of its action tracker was now in use and all members had full access to view and edit their actions.	
<b>10.</b>	<b>Report from the Chair of the Audit and Risk Assurance Committee</b>	
10.1	The Chair of the Audit & Risk Assurance Committee presented the Report of the Committee's meeting on 24 February 2021. He explained that the Committee intended to recommence its strategic review in September 2021 and would welcome the Board's input to the subjects for review.	
10.2	The Board approved: <ul style="list-style-type: none"> <li>• the revised terms for the extension of the PwC internal audit services contract for a period of one year.</li> <li>• the Committee's forward work programme for 2021-22.</li> </ul>	
10.3	The Board noted the other matters summarised in the Committee's report.	
<b>11.</b>	<b>Report from the Chair of the Remuneration and HR Committee</b>	
11.1	The Chair of the Remuneration & HR Committee presented the report of the Committee's meeting on 09 March 2021 which included two matters for Board decision. She drew the Board's attention to the Committee's discussions around the voluntary exit scheme and that application of criteria for the voluntary exit scheme had been applied in the round. Although not all cases would provide long term savings, the costs would be recouped, and the Committee was satisfied that there had been robust consideration of the business cases.	
11.2	The Board discussed the criteria for the voluntary exit scheme and noted that the scheme had been updated to provide six criteria upon which decisions could be made and these provided a flexible and clear framework.	
11.3	The Chair of the Remuneration & HR Committee explained that the Committee had carefully considered the Directors application for voluntary exit and for an exit payment in excess of the exit payment cap (which had been removed in England to address a legal anomaly). The Board approved the voluntary exit of the Director based on a payment not exceeding the payment cap amount of £95,000, delegating to the Chief Executive the authority to finalise the terms of the departure and the associated settlement agreement.	

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11.4	The Board noted that the Committee had considered a revised plan for delivery of the workforce strategy and had approved the revised plan, subject to incorporation of clear timescales and planned outcomes.	
11.5	The EDCS updated the Board on the pay claim that was expected from the Unions by the end of the month and was likely to seek an overall increase in pay, an underpin amount for junior staff and additional annual leave.	
11.6	The Board noted the other matters summarised in the Committee's report.	
<b>12.</b>	<b>Board support arrangements</b>	
12.1	The EDCS presented a paper setting out proposals for enhancing the effectiveness and resilience of secretariat arrangements for the Board, its committees, ELT and the Change Programme Board.	
12.2	<p>The EDCS reminded the Board that:</p> <ul style="list-style-type: none"> <li>• Over the years, the evolution and expansion of Audit Wales governance arrangements had led to Board and executive secretariat capacity being increasingly stretched.</li> <li>• Applying a resourcing model where all secretariat responsibilities are vested in one person had resulted in the advisory element of the Secretary's role being significantly eroded and the Secretary extensively working beyond contracted hours.</li> <li>• There was a lack of resilience and robustness in the previous arrangements and risks to business continuity.</li> </ul>	
12.3	<p>The EDCS confirmed that, following a nine-month trial of alternative secretariat arrangements designed to enhance effectiveness and resilience, feedback received from Board, Committee and ELT members had been overwhelmingly supportive and positive. Under those arrangements:</p> <ul style="list-style-type: none"> <li>• A member of the Law &amp; Ethics Team supports the Board and its committees in terms of their secretariat, advisory, and other practical needs.</li> <li>• A member of the Planning &amp; Reporting Team provides similar support to the Executive Leadership Team and Change Programme Board.</li> <li>• Both individuals provide cover for each other and work together, with support from the Auditor General's Executive Assistant, to ensure the overall business cycle is co-ordinated effectively and the governance framework continues to be fit-for-purpose.</li> <li>• The Heads of Law &amp; Ethics and Planning &amp; Reporting provide additional advisory, technical and other support as necessary.</li> <li>• Suitable backfill, work reallocation and reprioritisation arrangements are made within the Law &amp; Ethics and Planning &amp; Reporting teams.</li> <li>• The EDCS and EDCC provide strategic oversight and leadership on governance.</li> </ul>	
12.4	The EDCS also drew attention to some key areas that Board members had highlighted in their feedback where it was felt there was need for clarification and/or further strengthening. These included strategic governance leadership; governance expertise; forward planning and horizon scanning; quality control and timeliness regarding agendas and papers; and impact and evaluation.	

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12.5	<p>Drawing on the success of the trial, the EDCS set out proposals for the EDCS and EDCC to make the revised arrangements a permanent feature of the Audit Wales establishment via a minor restructuring of the Planning &amp; Reporting and Law &amp; Ethics teams. He confirmed that:</p> <ul style="list-style-type: none"> <li>• The proposed restructure would be undertaken in accordance with the Restructure Policy.</li> <li>• Such a restructure would result in no net increase to the previous establishment and was likely to deliver savings in overall staffing costs.</li> <li>• The points raised by Board members in their feedback on the trial arrangements had been taken into account when preparing revised job descriptions.</li> <li>• Benchmarking of the revised arrangements with those of the other UK audit agencies had shown broad comparability in terms of coverage, skill mix and capacity.</li> </ul>	
12.6	<p>The Board discussed the proposals for Board and Committee secretariat support at length, and deliberated as to whether:</p> <ul style="list-style-type: none"> <li>• The Board Secretary element of the proposals should draw on good practice from elsewhere including the model used by the NHS in Wales as part of a wider review of governance arrangements across the organisation.</li> <li>• The proposals allow sufficient flexibility so as not to constrain future strategic discussion around governance and to enable refinement and evolution of governance arrangements.</li> <li>• There is a need to develop a broader governance schematic for the organisation.</li> <li>• Ownership of the Board assurance map should rest with the Board Secretary.</li> <li>• Insufficient consideration had been given to the Welsh language requirements for Board support at both individual and team level.</li> <li>• A professional qualification in corporate governance and advanced Welsh language skills should be essential or desirable requirements for the Board Secretary position.</li> </ul>	
12.7	<p>There were a range of views on whether considering support for governance arrangements should come before a wider strategic discussion to ensure governance is fit for purpose in the longer term. However, given the assurance that the arrangements would not constrain such a discussion in the future, the Board approved the proposals. The EDCS confirmed his intention to work with the EDCC to progress the restructure of the Law &amp; Ethics and Planning &amp; Reporting teams at pace, in accordance with the Restructure Policy and recognising the need to minimise uncertainty and disruption to affected individuals.</p>	EDCS/ EDCC
13.	<b>The Board's work programme 2020-21</b>	
13.1	<p>The Board discussed its provisional work programme and noted that the Chair and Board Secretary would look at the length, format and content of future Board meetings. Members made suggestions for the work programme, including:</p> <ul style="list-style-type: none"> <li>• the strategic vision to inform the development of the annual plan – the EDCS would plan this with the ELT;</li> </ul>	Chair/KD  EDCS  AGW

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	<ul style="list-style-type: none"> <li>• review of progress against ambitions and input to inform the AGW's next 5 years – the AGW would seek input over the summer;</li> <li>• sustainable development – which is currently planned as a review against the 5 ways of working with a view to shaping a future approach – the EDCS would discuss this further with Elinor Gwynn;</li> <li>• horizon scanning updates on a regular basis – the EDAS would consider an approach;</li> <li>• stakeholder engagement, and the role of the Board – the EDCC would plan this with the Chair and Board Secretary</li> <li>• travel and subsistence review and implementation</li> </ul>	EDCS EDAS EDCC
13.2	The Board Secretary would update and develop the provisional work programme.	KD
<b>15.</b>	<b>Any Other Business</b>	
15.1	<p>The Chair reminded members:</p> <ul style="list-style-type: none"> <li>• to submit their annual declarations of interest; and</li> <li>• that the Board member appraisal process would start in April and it would be helpful if members could give thought to their learning and development needs.</li> </ul>	
<b>16.</b>	<b>Date of next meeting</b>	
16.1	Wednesday 09 and Thursday 10 June 2021	