

Wales Audit Office Board
Minutes of the meeting on Wednesday 26 and Thursday 27 January 2022

Members:

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
Adam Marshall	Elected employee member
Anne Beegan	Elected employee member (save for items 5 and 6)
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) (Thursday 27 January 2022)

Apologies: Kevin Thomas (Wednesday 26 January 2022)

In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS)
Katherine Drysdale	Law & Ethics Specialist (minutes)
Amy Everson	Change Project Manager (items 3 and 4)
Matthew Hockridge	Head of Planning & Reporting (items 3, 4, 13 & 14)
Nicola Evans	Head of Finance (item 13)
Richard Harries	Audit Director (item 15)
Terry Jones	Audit Manager (item 15)

Observers:

Frances Haslam	Law & Ethics Work Placement (item 4)
Helen Williams	Audit Lead (Thursday 27 January 2022, save for items 18 and 19)
Tanya Reynolds	Change Project Officer (save for items 18 and 19)

Item	Agenda
1.	Chair's welcome and apologies for absence
2.	Declarations of interest
3.	Staff survey: consideration of management's response
4.	Strategic equality objectives: our ambition and measuring success
5.	Review of minutes: Board meeting 23 and 24 November 2021
6.	Review of action tracker
7.	Report of the Chief Executive and Auditor General
8.	Chair's update
9.	Report from the Remuneration & HR Committee January 2022
10.	Report from the Audit & Risk Assurance Committee December 2021
11.	Governance Review: update

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12.	Arrangements for appointment of EEM 2022
13.	Performance Reporting: (a) finance report (b) strategic risk register
14.	Annual Plan 2022-23 and five-year Strategy - KPIs
15.	Update on decision to carry out accounts audit work in-house
16.	Review of the forward work programme
17.	Review of the meeting
18.	Any other business (to include discussion of T&S in private)
19.	Date of next meeting: 16 and 17 March 2022

Item	Minutes	Action
Standing Items		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance. She noted an apology from Kevin Thomas for Wednesday 26 January 2022 and that his absence would not affect the quorum. The Chair also noted that Anne Beegan might join the meeting late on Thursday 27 January 2022 due to a conflicting meeting with an audited body.	
1.2	The Chair would write the meeting blog, with input from the EDCC who would capture the five key messages from the meeting.	LF ALC
2.	Declarations of interest	
2.1	Adam Marshall, Anne Beegan and Kevin Thomas declared interests in item 9 (Report of the Chair of the Remuneration and HR Committee). Anne Beegan also declared an interest in item 12 (Arrangements for appointment of EEM 2022). The staff observers would leave the meeting for item 19 (any other business) which would be taken in private.	
3.	Staff survey: consideration of management's response	
3.1	The Board received presentations, which had also been circulated in advance of the meeting, outlining the survey results and management's response to the survey.	
3.2	The EDCC reminded the Board of the key messages drawn from the survey results and explained the approach planned by management, building on and embedding ongoing activity, to address six key areas of focus to achieve desired outcomes.	
3.3	The EDCC explained that the ELT would be seeking a deeper insight into three areas where the survey results reflected staff perceptions that Audit Wales was underperforming, including <ul style="list-style-type: none"> • learning and development; 	

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	<ul style="list-style-type: none"> • managing change; and • pay and benefits. <p>The research would include interviews to explore staff experiences so that the ELT can better understand what actions are needed at organisational, directorate and team levels.</p>	
3.4	<p>The Board discussed the proposed approach including the timing and prioritisation for activity:</p> <ul style="list-style-type: none"> • to achieve impact in the short, medium and longer term; and • taking account of significant workload pressures and other ongoing activity, such as travel and subsistence implementation and the development of the five-year strategy. 	
3.5	<p>The Auditor General and Chief Executive explained the recommendation that the ELT focus its efforts on addressing workload pressures and resourcing issues, by pausing (though not stopping entirely) to:</p> <ul style="list-style-type: none"> • review and plan the forward work programme with a focus on the delivery of required statutory work; • assess the resource needed to deliver the core statutory programme and allocate and/or reallocate staff accordingly; and • plan how to use remaining resources in the delivery of other clearly focussed and impactful performance / study work. 	
3.6	<p>In the context of its function of providing the Auditor General with the resources to deliver his work, the Board:</p> <ul style="list-style-type: none"> • recognised that delivery of the work required by statute was fundamental and should be prioritised; • considered the ongoing impact of workload pressures on staff and the importance of giving staff the time and capacity to perform their roles well; • discussed the need to get resource levels right for now and the future, taking account of market pressures in recruiting and retaining staff and the impact of making internal appointments in creating further gaps in resourcing; and • considered the potential positive impact of addressing resourcing issues on employee engagement and delivery of the work programme. 	
3.7	<p>The Board also briefly discussed:</p> <ul style="list-style-type: none"> • the impact of the development of the five-year strategy in engaging staff and providing clarity of direction and purpose; • the impact of the external environment, including the pandemic and remote working, on staff wellbeing and the value of benchmarking the results against the wider civil service results when they became available; • how learning and development opportunities could be communicated, and a culture of self-managed learning encouraged; • communicating management's response to the survey transparently to staff to support understanding and buy-in; and • the timing and methods for seeking further feedback from staff. 	

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3.8	<p>The Board:</p> <ul style="list-style-type: none"> • confirmed that it was assured that management recognised and understood the issues raised through the survey, including recurrent themes and had planned an appropriate forward approach, taking account of key opportunities and challenges; • endorsed the approach proposed by management for a pause, noting that this whilst this could impact on the delivery of audit and corporate work in the short term, it offered an opportunity to address resourcing and workforce planning; and • encouraged management to consider how to communicate effectively with staff to explain the rationale for the review, and potential reallocation of work to gain their support. 	
3.9	The Chair and the EDCC would plan the timing and format for future updates to Board with the Board planning group, and would include supply and demand graphs which had been used previously to provide a useful visual presentation of resourcing.	LF/ALC
4.	Strategic equality objectives: our ambition and measuring success	
4.1	The EDCC introduced a workshop to discuss equality, diversity and inclusion in the workplace, highlighting the benefits of diversity within an inclusive workplace. She outlined the structure of the workshop which would include small group discussions feeding back into the main Board meeting.	
4.2	Members participated in breakout group discussions on the key aspects of equality, diversity and inclusion that resonated with them, and provided feedback to the meeting.	
4.3	The EDCC presented an outline of opportunities for Audit Wales to have a positive impact for equality, diversity and inclusion in both running the business and supporting the delivery of the Auditor General's work programme.	
4.4	Members participated in a breakout group discussions on how to strengthen the Board's commitment to equalities, diversity and inclusion in its function of securing the right resources to support delivery of its and the AGW's functions, and provided feedback to the meeting.	
4.5	The Board concluded that the session had been a valuable exercise from which a strong collective view had emerged of an ambitious approach that reflected the value of positively embracing, integrating and developing equality, diversity and inclusion beyond a compliance focus.	
4.5	The EDCC would arrange for the notes from the breakout groups to be collated and used to inform the development of the Strategic Equality Plan.	EDCC
5.	Review of minutes: Board meeting 23 and 24 November	
5.1	The Board approved the minutes of its meeting on 23 and 24 November 2021 as an accurate record.	
6.	Review of action tracker	

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6.1	<p>The Board discussed the matters arising from its previous meetings using the action tracker which the Board Secretary would update:</p> <ul style="list-style-type: none"> • WAOB/21/021 (Board communications and engagement) – the Chair and SID would be involved in the external feedback sessions for the five-year strategy. • WAOB/21/035 (EEM engagement to support Board effectiveness) - the EEMs would maintain communications with the ELT employee panel through a Teams chat, with ad hoc meetings where appropriate. 	
6.2	<p>The Board noted the stated intention to replace high-level mapping of the sustainable development principle (WAOB/21/001) with sustainable development prompts for use by the Board and Audit Wales staff, upon the advice of the Wellbeing of Future Generations Audit Manager. After discussion it was agreed that the EDCS would bring a paper to the meeting of the Board in March 2022 outlining the advice and explaining the prompts.</p>	
6.3	<p>The Chair reminded management that where the Board had made a decision or agreed a course of action, any proposed change should be brought back to Board to review and agree any such change, which would then be recorded appropriately.</p>	
6.4	<p>Anne Beegan joined the meeting</p>	
7.	Report of the Chief Executive and Auditor General	
7.1	<p>The Auditor General and Chief Executive presented his report and highlighted:</p> <ul style="list-style-type: none"> • the publication of high-profile and high impact public interest reports into failures at Pembrokeshire Council and Blaenau Gwent County Borough Council; • his contribution to the ICAEW's public sector conference on the key role that public sector financial reporting and audit can play in achieving net zero; and • that the offices would re-open with effect from Monday 31 January 2022. <p>He also extended his thanks to Alison Gerrard for Chairing the Finance for the Future Conference.</p>	
7.2	<p>The Auditor General and Chief Executive also drew the Board's attention to changes in the planned restructure of the Law & Ethics team. He explained that:</p> <ul style="list-style-type: none"> • following a rigorous felt fair process two roles had been evaluated as grade 4 (rather than grade 3) due to the complexity of the work undertaken by those roles with a resulting increase in costs; and • that the EDCS would be developing a paper outlining the restructures within Corporate Services, the rationale for them and how the revised structures would support delivery of the ambitions; that paper would be presented to the ELT then shared with the Remuneration and HR Committee in April 2022. 	EDCS

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7.3	The Board noted that it would not usually consider restructures at an operational level, but had been involved due to the inclusion of Board support arrangements. The Board was satisfied with the Auditor General's explanation which provided a record of the change from the original decision and noted that an overview of the changes in Corporate Services restructures would be provided to the Remuneration and HR Committee.	
7.4	The Board briefly discussed the office reopening and noted that management were encouraging staff to return to engage with their teams or clusters and would review both extending capacity at the Cardiff office and how audit rooms might be used safely, depending on the approach taken by the audited bodies involved.	
7.5	In response to a question on resourcing and work pressures, the EDAS explained that, following discussion with audited bodies and the Society of Welsh Treasurers, some audit deadlines would be extended.	
7.6	The Board otherwise noted the report.	
8.	Chair's update	
8.1	The Chair presented her written update to the Board and highlighted that: <ul style="list-style-type: none"> planning for the Board development day was underway, with the aim of arranging a date in early spring; and the Board Secretary would seek feedback from members of the Board and ELT in reviewing the Board link role. 	KD
8.2	The Board noted the Chair's update.	
9.	Report from the Remuneration and HR Committee 16 November 2021	
9.1	The Committee Chair presented the report of the Remuneration and HR Committee meeting held on 16 November and highlighted the recommendation on the pay strategy for Board approval.	
9.2	The Board briefly discussed the proposed pay strategy noting: <ul style="list-style-type: none"> the relevance of the pay structure and an attractive benefits package in attracting and retaining high quality staff in a highly competitive market, the risk that the budget parameter might be insufficient, taking account of rates of inflation, salary benchmarking data and the Welsh Government pay guidance; and that management were exploring a potential alternative approach of index linking salaries and would discuss this with the trades unions. 	
9.3	The Board noted that: <ul style="list-style-type: none"> management would discuss the scope of the review of financial and non-financial benefits with Grant Thornton, and the EDCS would consider how to involve the Remuneration and HR Committee in developing the scope of the review; and in addressing resourcing issues, opportunities could be considered for non-audit staff to develop and progress audit careers internally. 	EDCS
9.4	As recommended by the Committee, the Board:	

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	<ul style="list-style-type: none"> approved the proposals set out in paper WAOB(60)-21-006 as the basis for the Pay & Reward Strategy 2022/23, and authorised the Executive Director of Corporate Services and Head of HR to conduct pay discussions with the trade unions. 	
9.5	The Board otherwise noted the report.	
10.	Report from the Audit & Risk Assurance Committee December 2021	
10.1	The Committee Chair presented the report of the Audit & Risk Assurance Committee meeting held on 14 December. He drew the Board's attention to the internal audit review of cyber security which, albeit of limited scope, had been categorised as high risk. He outlined the Committee's intention to carry out a wider review of cyber risk and information management at its next meeting.	
10.2	The Board recognised the importance of understanding and managing cyber risk from both technical and people/behaviours perspectives and confirmed that it would be happy for the Committee to carry out a deep dive review at its next meeting. The Board encouraged the Committee to ensure it had access to specific external expertise if needed and the Chair of the A&RAC would consider that with the EDCS.	IR
10.3	The Committee Chair updated the Board on the Internal Audit procurement and explained that a single tender had been received. The tender received was comprehensive, but the associated costs were high and the EDCS was exploring the options for internal audit and for discussion by the Committee in February.	
10.4	The Board otherwise noted the report.	
11.	Governance review: update	
11.1	The EDCS presented a paper updating the Board on the work of the governance task and finish group. He explained that: <ul style="list-style-type: none"> a model of good governance for Audit Wales had been developed; a HUB page for the ELT, Board and Committees would be launched shortly with communications support from the EEMs; and the model and HUB page would be reviewed and developed incrementally under the leadership of the Board Secretary, with support and input from the group or its members on an ad hoc basis. 	
11.2	The Board discussed: <ul style="list-style-type: none"> whether the model adequately incorporated principles recognising the Board's commitment to equality diversity and inclusion; the Board Secretary would consider whether the model addressed this; how good governance extended beyond the Board to the wider organisation and its activities, policies and strategies as an ongoing process; the Board Chair would discuss roles and responsibilities for further developing good organisational governance with the EDCS and Board Secretary, recognising the impact on resourcing and the need for a proportionate approach; and 	KD Chair / EDCS / KD

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	<ul style="list-style-type: none"> the link between good governance and the recommendation from the Board effectiveness review that the Board consider how to achieve a shared mental model of the Board's statutory remit and overarching purpose; the Board Chair and EDCC would take account of this in shaping the scope of the Board development activity. 	Chair / EDCC
11.3	The Board Secretary provided a brief demonstration of the Hub page.	
11.4	The Board noted the update.	
12.	Arrangements for appointment of EEM 2022	
12.1	<p>The Board Secretary presented a paper outlining proposed changes to the timetable and procedural rules for the forthcoming elected employee process. She explained that:</p> <ul style="list-style-type: none"> the timetable had been extended to provide a longer campaigning period, but it was not feasible to entirely avoid busy periods for auditors; and permitted campaigning activity had been developed, taking account of feedback, to allow a wider range of campaigning and some informal communication using yammer. 	
12.2	The Board approved the revised election rules and the indicative timetable for the 2022 election.	
13.	Performance reporting, including the finance report, strategic risk register and quarter two performance	
(a) finance report		
13.1	<p>The Head of Finance presented a paper outlining the financial position at the end of December and provided an oral update on the current financial position. She explained that a further downturn in income was expected to reduce the forecast surplus but was not expected to result in a deficit. The Board expressed its concern about forecasting uncertainty and fluctuations, particularly towards year end. The Head of Finance explained that:</p> <ul style="list-style-type: none"> the quarterly budget review provided a more accurate position than forecasts based on monthly assumptions; and the new resourcing and time recording system was expected to offer more frequent budget reviews and greater accuracy in forecasting. 	
13.2	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> the forecast underspend on capital expenditure, noting the impact of procurement delays; the impact of staff vacancies; and the intention to surrender any surplus to the WCF. 	
13.3	The Board noted the report and would welcome the greater accuracy in forecasting anticipated from the new resourcing and time recording system.	
(b) strategic risk register		

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13.4	The Head of Planning and Reporting presented a paper updating the Board on the strategic risk register which had been revised to integrate assurance mapping in line with the recommendation from Internal Audit.	
13.5	The Board briefly discussed the key risk areas highlighted by management as key areas of concern, and whether any risks could be de-escalated or closed.	
13.6	<p>The Board:</p> <ul style="list-style-type: none"> • noted the report and that an updated reporting tool would incorporate indicators to show the movement of risks; and • encouraged management to review the residual risk ratings to ensure ratings were realistic. 	
14	Annual Plan 2022-23 and Five-Year Strategy: KPI development	
14.1	<p>The EDCC presented a paper updating the Board on the work carried out by the ELT to :</p> <ul style="list-style-type: none"> • review the Annual Plan KPIs; • develop a suite of KPIs to monitor the delivery of the five-year strategy; and • consider a suite of organisational health indicators. <p>She explained that the ELT had concluded that KPIs for the annual plan should be maintained, subject to review of the targets.</p>	
14.2	The Board noted that notwithstanding the previous Board decision for a substantive review of KPIs, with a move towards outcome-based indicators for 2022-23, there had been no substantive change. The Board did however note the opportunity provided by developing a new suite of KPIs for the 5-year strategy.	
14.3	In explaining the rationale for the approach recommended by the ELT, the Auditor General and Chief Executive outlined the complexities of setting a baseline for outcome based KPIs and subsequently measuring impact. He explained that in the absence of stakeholder feedback for the current year it would be difficult to develop a series of outcome based KPIs, which could potentially run alongside the existing KPIs for a period of time until trend analysis was possible.	
14.4	The Head of Planning and Reporting outlined the improvements that had been made to the Annual Plan KPIs over time and explained the challenges, at Audit Wales and across the public audit sector, of developing and measuring outcome based KPIs.	
14.5	The Board recognised the challenges in changing the approach to outcome based KPIs and in setting baseline data, but encouraged management to consider learning from and benchmarking against other organisations who currently use outcome-based measures. The EDCC will explore this further.	EDCC
14.6	The Board endorsed the recommendations from the ELT:	

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	<ul style="list-style-type: none"> • to retain the current suite of Annual Plan KPIs for 2022-23, subject to review of data collection and targets as outlined at Exhibit 1 in paper WAOB(60)-21-011; • for Engagement Directors to seek stakeholder feedback during 2022/23; • to commission an external organisation to undertake a deeper and wider stakeholder feedback exercise in early 2023. • for the ELT to develop a suite of KPIs to support the delivery of the 5-year Strategy and Roadmap for discussion and Board input at the Board's meeting in March 2022; and • for the EDCC and EDCS to propose a suite of Organisational Health KPIs to support financial and HR performance data, so as to provide assurance on compliance and governance arrangements. 	
15.	Update on decision to carry out accounts audit work in-house	
15.1	The EDAS presented a paper reviewing the Board's decision to carry out accounts audit work in-house. She briefly outlined the background to the decision taken by the Board in 2019 and explained that the ELT considered that the assumptions relied upon by the Board in making its decision remained valid.	
15.2	The Board noted that feedback from audited bodies had been generally positive, it had been possible to deliver some audits through the medium of Welsh and some accounting issues had been discovered that might otherwise have been missed.	
15.3	<p>The Board:</p> <ul style="list-style-type: none"> • confirmed its decision for all audit work to be undertaken in-house in the short-term, save where specialist input was required for specific pieces of work; • confirmed that the EDAS should undertake annual reviews of the decision made by the Board in January 2019 and report the outcomes and any recommendations to the ELT and the Board; and • endorsed the EDAS proposal to develop a longer-term view of the potential to contract-out audit work, for consideration by the ELT and the Board (following completion of the current Audit Services workforce planning exercise). 	
16.	Review of the forward work programme	
16.1	The Board discussed its forward work programme and agreed that it would retain a strategic session on 16 March which would include a discussion on the development of KPIs. The Board Secretary would take these comments into account in updating the provisional work programme.	
16.2	The Board recognised that, having endorsed an organisational 'pause', it would take account of that in planning agendas and the presentation of items to the Board.	
17.	Review of the meeting	

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17.1	In reviewing the meeting, members noted: <ul style="list-style-type: none"> • the positive discussion on equality, diversity and inclusion; • the depth and breadth of their discussions; • the positive values and behaviour exhibited in the face of some challenging discussions; and • the value of ensuring the necessity and relevance of agenda items to take account of workload pressures across the organisation. 	
17.2	The observers commented on: <ul style="list-style-type: none"> • the wide variety of topics covered; • the level of engagement by members, good behaviours and constructive challenge; • the effective running of the meeting; and • how they could relate to the matters being discussed. 	
18.	Any other business (taken in private)	
18.1	The EDCC provided a brief update on the implementation of the travel and subsistence review, including the ongoing engagement with the trades unions and the process for implementing new terms and conditions.	
19.	Date of next meeting	
19.1	16 and 17 March 2022	