

Wales Audit Office Board
Minutes of the meeting on Tuesday 30 and Wednesday 31 July 2024

Members:

Ian Rees	Chair and non-executive member
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 (by Teams)
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

Apology:

Adrian Crompton	Chief Executive and Auditor General for Wales
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In attendance:

Anne-Louise Clark	Executive Director of Communications and Change (EDCC) (items 1 to 11 and 14 to 22)
Ann-Marie Harkin	Executive Director of Audit Services (EDAS) (items 1 to 11 and 14 to 22)
Kevin Thomas	Executive Director of Corporate Services (EDCS) (items 1 to 11, item 12 (part), item 13 (part) and items 14 to 22)
Katherine Drysdale	Board Secretary (minutes)
Amanda Jenkins	Head of Planning & Reporting Specialist (items 3, 4 and 16)
Terry Jones	AD&G Manager Audit Quality & Policy (items 3 and 19)
Nicola Evans	Head of Finance (items 1 to 4, item 13 (part) and items 14 to 15)
Martin Peters	Head of Law and Ethics (items 8 and 9)
Nicola Thompson	Planning & Reporting Data Officer (item 16)
Laurie Davies	Head of Business Services (items 17 and 18)

Observers:

Charles Rigby	Audit Lead (items 1 to 11 and 14 to 22)
Alison Dacey	People & Organisational Development Partner (items 1 to 11)

Item	Agenda
1	Welcome and apologies
2	Declarations of interests
3	Horizon scanning / environmental analysis
4	Annual risk review
5	Review of minutes: Board meeting 12 and 13 June 2024
6	Review of action tracker
7	Chair's update
8	Complaints Report 2023-24
9	Governance Documents Review

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Item	Agenda
10	Committee Appointments
11	A&RAC Independent Member Appointment
12	Report from the Chair of the R&HRC (July meeting)
13	Estimate Strategy
14	Report from the Chair of the A&RAC (July meeting and Annual Report)
15	Annual Report and Accounts 2023-24
16	Integrated Performance Report
17	Health, Safety & Wellbeing Committee Annual Report
18	Our Future Workplaces: West Wales Office
19	Consultation: appointment of AGW as auditor of Adnodd Cyfyngedig
20	Review of the forward work programme
21	Any other business
22	Review of the meeting
23	Date of next meeting: 01 and 02 October 2024, Swansea

Item	Minutes	Action
Standing Items		
1	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance. He noted an apology for absence from the Auditor General for Wales.	
2	Declarations of interest	
2.1	Employee members and other staff present declared a pecuniary interest in item 12 (R&HRC report: pay strategy and pay policy) and in item 13 (the Estimate strategy) in so far as it related to pay. The Chair indicated that employee Board members, staff and observers would leave the meeting for items 12 and 13 to be taken in private. The EDCS would be present for item 12 to answer questions then leave for the Board discussion and decision. The EDCS and Head of Finance would be present for item 13 to present the paper and take questions, then leave for the Board discussion. The Board Secretary would remain throughout to maintain the record of the meeting.	
3	Horizon scanning / environmental analysis	
3.1	The EDCC explained that the purpose of the horizon scanning item was to provide a deeper understanding of Audit Wales' operating environment, the key influences and developments affecting its operation and the delivery of the Auditor General's work programme. The session was intended to: <ul style="list-style-type: none"> inform the Board; 	

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	<ul style="list-style-type: none"> • provide assurance regarding the strategic planning process; and • provide an opportunity for the Board to contribute. <p>The outputs of the session would inform the development of the Estimate and Annual Plan.</p>	
3.2	The EDCC explained that the environmental analysis had been developed collaboratively between the ELT, Directors and Heads of Service and was structured around the ten operating environment themes outlined in the 2024-25 Annual Plan. The AD&G Manager briefly outlined the key issues likely to impact on the audit profession.	
3.3	The Board considered the themes from the review and the implications for the delivery of the Auditor General's work programme and for running the business. The Board discussed the challenges facing the audit profession, including increased regulation, expectations, audit complexity and specialism, developing technologies, the potential for changes arising from the changing political environment with an ongoing need to maintain audit quality.	
3.4	<p>The Board discussed:</p> <ul style="list-style-type: none"> • the potential for development in the areas of automation, analytics and artificial intelligence and the benefits of developing a clear digital strategy – the Chair suggested that a strategic discussion could be added to the Board work programme; • the importance of maintaining awareness of changes in the approaches and technology being adopted across the wider public sector; • the future skills that might needed, and how to best explore and prepare to develop or acquire those skills; • the importance of monitoring the political environment, and the potential consequences of decisions on Audit Wales work; • wider public sector governance, including the impact of more audit qualifications or organisations failing; and • the importance of keeping Audit Wales' risk appetite under review. 	Chair / BS
3.5	The Board welcomed the update and the opportunity to contribute to the environmental analysis.	
4	Annual Risk Review	
4.1	Following a briefing by the Planning and Reporting Specialist, members (in three breakout groups) considered the strategic risks facing Audit Wales, taking account of internal and external factors influencing its operating environment.	
4.2	Members presented the outputs of their collaboration, and the Board discussed the emerging themes.	

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4.3	The Planning and Reporting Specialist would develop the outputs from the session for consideration by the ELT in August, and reporting to the Audit and Risk Assurance Committee in September.	
5	Review of minutes: Board meeting 12 and 13 June 2024	
5.1	The Board approved the minutes of its meeting on 12 and 13 June 2024 as an accurate record.	
6	Review of action tracker	
6.1	The Board received updates against actions which the Board Secretary would reflect on the tracker.	
7	Chair's update	
7.1	The Chair updated the Board on his activity since the June Board meeting. He updated the Board on the timetable and approach for reviewing the Public Audit (Wales) Act 2013 and invited members to provide their views on potential improvements to the legislation.	All
7.2	The Chair reminded members that external emails, eg complaints or requests for information, should be forwarded to the Planning and Reporting team who maintained a log of correspondence and co-ordinated responses.	
7.3	The Board noted the update.	
8	Complaints Report 2023-24	
8.1	The Head of Law and Ethics presented his report on work undertaken in the year ending 31 March 2024 in relation to complaints about the work of Audit Wales. He explained that: <ul style="list-style-type: none"> the main reasons for complaints included lateness in progressing audits and dissatisfaction with audit fees; most cases were dealt with locally and while three complaints had been investigated none had been upheld; and the EDAS was keen to be made aware of substantive complaints and he was keeping her suitably informed. 	
8.2	The Board discussed: <ul style="list-style-type: none"> the cost of dealing with complaints, noting that this included the time of staff in Law and Ethics and Audit Services; the process for recording complaints, noting that staff were asked to notify Law and Ethics of all complaints, but it was likely that some matters were dealt with as queries; and how the organisation was acting upon the insight from complaints, noting that a high proportion of complaints related to community councils. The EDAS explained that a review of the approach to community council audit was underway and she had increased capacity to clear the backlog of community council audits. The Head of Law and Ethics suggested that it might also be helpful to provide 	

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	information to bodies to clarify the nature of audit work and explain costs and how these were incurred / charged.	
8.3	In response to a question on whether the complaints policy applied to staff, for example in respect of inappropriate behaviour, the Head of Law and Ethics explained that the complaints policy would apply in the first instance but if a breach of the Dignity and Respect Policy was found then that policy would apply in respect of the investigation.	
8.4	The Board noted the report, and subject to adding a line to cross reference the Complaints Policy with the Dignity and Respect Policy, confirmed that it was content with proposed changes to the Complaints Policy.	
9	Governance Documents Review	
9.1	The Head of Law and Ethics presented a paper outlining the outcome of the review of governance documents. He explained that the Auditor General was consulting the Board in respect of changes to his Scheme of Delegation and approval was sought in respect of updated versions of the Board's Terms of Reference (procedural rules), the Remuneration and HR Committee's Terms of Reference, the Audit and Risk Assurance Committee's Terms of Reference and the Board's Travel and Subsistence Policy.	
9.2	The Head of Law and Ethics explained that changes were proposed to the Committee's membership to meet quorum rules in respect of meetings. The Board Chair indicated that while membership by rotation was suggested for one non-executive member of the A&RAC he would prefer to fix membership to ensure continuity. He was however content with the provision for substitution in the event that a non-executive member could not attend.	
9.3	The employee members asked for clarification of the Board's Travel and Subsistence Policy of their entitlement to claim for travel associated with Board business irrespective of the allocated main office (as such travel would not otherwise be required).	
9.4	<p>The Board briefly discussed:</p> <ul style="list-style-type: none"> • the operation of the Scheme of Delegation and how records were maintained of delegated activity, for example in respect of accounts signed by the EDAS in the absence of the AGW; and • the possible extension to the Audit and Risk Assurance Committee's responsibilities to cover financial controls, which would be discussed over the summer. 	
9.5	<p>The Board:</p> <ul style="list-style-type: none"> • noted that it had been appropriately consulted by the AGW on his Scheme of Delegations; • approved the updated versions of: <ul style="list-style-type: none"> ○ the Board's Terms of Reference (procedural rules); and 	

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	<ul style="list-style-type: none"> ○ the Remuneration and HR Committee's Terms of Reference; ● subject to revision to remove membership by rotation, approved the Audit and Risk Assurance Committee's Terms of Reference; and ● subject to clarification in the Policy on employee members' travel claims, approved the Board's Travel and Subsistence Policy. 	
10	Committee Appointments	
10.1	The Chair presented a paper setting out proposals for membership of the Board's Committees and proposed that he also be appointed as a member of the Audit and Risk Assurance Committee.	
10.2	The Board approved: <ul style="list-style-type: none"> ● the revised membership of the Audit and Risk Assurance Committee: David Francis (Chair), Michael Norman, Ian Rees, Anne Beegan and the Independent Member; and ● the revised membership of the Remuneration and HR Committee: Alison Gerrard (Chair), Richard Thurston, Ian Rees, Darren Griffiths and Chris Bolton. 	
11	A&RAC Independent Member Appointment	
11.1	The Chair of the A&RAC presented a paper outlining the outcome of the recruitment of the independent member. On behalf of the recruitment panel, he recommended the appointment of Owen Purcell.	
11.2	The Board approved the appointment of Owen Purcell as the independent member of the A&RAC for a 3-year term from 1 September 2024, with the option to renew for up to a further 3 years.	
12	Report from the Chair of the R&HRC (July meeting) (taken in private)	
12.1	[Redacted]	
12.2	[Redacted]	
12.3	[Redacted]	
12.4	[Redacted]	
12.5	[Redacted]	
12.6	[Redacted]	
12.7	[Redacted]	
13	Estimate and fee scheme strategy (taken in private)	
13.1	[Redacted]	
13.2	[Redacted]	
13.3	[Redacted]	
13.4	[Redacted]	
14	Report from the Chair of the A&RAC (July meeting and Annual Report)	

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14.1	The Chair of the A&RAC presented his report of the Committee's meeting on 3 July 2024 which had considered the Annual Report and Accounts and the Committee's Annual Report, including its effectiveness self-assessment and the assessment against the Code of Good Practice for Corporate Governance in Central Government.	
14.2	<p>The Chair of the A&RAC summarised the Committee's discussion on the draft annual report and accounts, including the supporting assurances from the Heads of Internal and External Audit. He explained that the Committee had asked management to:</p> <ul style="list-style-type: none"> • consider in-year reporting on the balance sheet; • plan reports to the Board on the financial impact of the backlog; and • review billing patterns and consider the financial impact of any changes. <p>He confirmed that the Committee was content to recommend that the Board:</p> <ul style="list-style-type: none"> • note the comprehensiveness of the assurances received on the annual report and accounts; and • recommend to the Accounting Officer that he should sign the annual report and accounts for 2023-24 and the letter of representation. 	
14.3	The Board briefly discussed the delay in completion of the external audit of the accounts, noting that the Auditor General and Chair intended to write to the external auditors setting out the Board's concerns and seeking assurance regarding the process for delivery of the audit in 2025.	
14.4	The Board noted the Committee's recommendations.	
14.5	<p>The Board approved:</p> <ul style="list-style-type: none"> • the Committee's annual report for 2023-24; and • the assessment of compliance with the Code of Good Practice for Corporate Governance in Central Government. 	
15	Annual Report and Accounts 2023-24	
15.1	The EDCC presented the final draft Annual Report and Accounts, and the Head of Finance confirmed the timing for their signature and laying.	
15.2	<p>On the strength of the assurances received the Board:</p> <ul style="list-style-type: none"> • approved the near-final Annual Report and Accounts for 2023-24; • authorised the Chair and Auditor General to approve and sign the final document; and • recommended that the Accounting Officer should sign the Annual Report and Accounts for 2023-24 and the letter of representation. 	
15.3	The Board recorded its thanks to those involved in preparing and auditing the annual report and accounts.	
16	Integrated Performance Report	
16.1	The Planning & Reporting Data Officer and Planning and Reporting Specialist provided an update on the development of the performance reporting dashboard and a demonstration of its operation. The Chair asked	

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	that members provide their feedback on the current version of the dashboard to support its ongoing development and that the Planning and Reporting Team provide a workshop for members to support them to navigate it effectively.	All P&R / BS
16.2	The EDCC presented the quarter one performance update covering audit delivery, delivery against the annual plan KPIs, the financial sustainability review, workforce planning, key strategic risks, a strategic overview and the current areas of focus for the ELT.	
16.3	<p>The Head of Finance provided an update on financial management and highlighted that:</p> <ul style="list-style-type: none"> • a small deficit was currently forecast but actions were in place to address this; • income delivery was ahead of profile; • there were some underspends on supplies and services due to prior year accruals; • debts were higher than usual and a new team member would be focusing on debt collection; and • there was an increase in deferred income, largely due to instalment billing, but this was expected to reduce. 	
16.4	<p>The Board discussed the finance update, including:</p> <ul style="list-style-type: none"> • the projected surplus and income forecasts, noting that notwithstanding positive delivery of fee income and improved staff retention the surplus was likely to reduce, income delivery was forecast to be in line with budget and in the event of delivering income over the budget a Supplementary Estimate would be needed; • debtors, noting that the level of debtors was due to a combination of administrative issues with purchase order matching and collection of payments from Community Councils, and a dedicated staff member would be working to address this; • deferred income, noting that activity was underway to return funds where previously planned work would no longer be delivered; • income delivery, which was ahead of profile as a result of both filling vacancies and the hard work of staff to deliver audits, for which the Board expressed its thanks; • the potential for, and process of, dealing with a surplus, noting that the Estimate recognised that more income would be generated as audit delivery got back on track; and • the quantum of cost increases for the year to date, on which the Head of Finance would provide information outside the meeting. 	HoF
16.5	<p>The Board also discussed:</p> <ul style="list-style-type: none"> • the financial sustainability review, seeking assurance that travel and subsistence savings would not negatively impact on audit delivery; the EDAS confirmed that she was content with a projecting a reasonable 	

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	<p>saving provided this did not adversely impact audit delivery, and where travel was necessary for audit delivery it would take place;</p> <ul style="list-style-type: none"> • vacancies, and when or whether the organisation would achieve the KPI target of 95% of establishment, noting that significant recruitment was underway, and the position would be further reviewed at the end of quarter two; • vacancy savings, noting that increasing the establishment would not necessarily result in a surplus due to increased staff costs; and • Hub planner, and whether implementation had been reviewed to identify lessons learned, noting that the EDCC had asked the project team to review the process and draw out learning and she would report on this in September. 	EDCC
16.6	The Board noted the report.	
17	Health, Safety & Wellbeing Committee Annual Report	
17.1	<p>The Head of Business Services presented the Health, Safety & Wellbeing Committee annual report and highlighted:</p> <ul style="list-style-type: none"> • that the number of sickness absences had decreased by 15%, though there had been an increase in the average working days lost per employee to 7.1 days which was higher than the KPI target of 6 days, and was largely due to more short-term sickness absence; • that all staff had taken the statutory minimum annual leave and there was a decrease in the number of staff carrying forward more than 9 days leave; • that the wellbeing strategy had been reviewed; and • the Committee planned to undertake a work-life balance review when relevant information was available and would report to the Board on that via the Chief Executive's report. 	
17.2	<p>The Chair of the R&HR Committee reported that the Committee had observed that the counselling service seemed to be accessed largely by female members of staff and was keen to ensure that all staff felt able to access the service. She asked the Committee to monitor take up of the assistance provision.</p>	
17.3	<p>The Board discussed:</p> <ul style="list-style-type: none"> • annual leave, noting the improvement and that the figures were also affected by accruals arising from maternity leave and sickness absence; • whether staff could be required to take a specified number of leave days consecutively each year, to ensure a proper break from work, noting that while the committee would consider that, many staff appreciated the flexibility of being able to take short periods of leave; • the drop in uptake of 'flu vaccinations, and whether this played any part in the increase in short term absences, noting that some staff made 	

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	<p>their own arrangements for vaccination and the Head of Business Services intended to promote this benefit in the autumn; and</p> <ul style="list-style-type: none"> • the increase in sickness due to mental health matters, asking that the Committee continue to monitor that. 	
17.4	The Board noted the briefing and approved the Committee's annual report.	
18	Our Future Workplaces: West Wales Office	
18.1	The Head of Business Services introduced a paper and supporting presentation outlining the business case for the relocation of the Penllergaer office. She explained the process and timeline followed and the factors taken into consideration and provided an overview of the shortlisted options and the recommendation to lease space within Welsh Government premises with suitably spaced lease break clauses to provide flexibility.	
18.2	<p>The Board discussed:</p> <ul style="list-style-type: none"> • the timing for the planned move, which was expected to be around April 2025; • the availability of office space for larger cluster meetings, noting that space was available and the cost factored into the overall costings; • staff consultation and feedback, noting that West Wales staff were supportive of the planned move as the office had flexible space, good quality furniture and ample parking; • occupancy and the number of desks, noting that at least 16 desks would be provided, but occupancy of the Penllergaer office was generally low; and • the impact of low occupancy, which would make the cost per user high albeit this was the lowest cost option. 	
18.3	The EDAS indicated that the involvement of staff had been welcomed, and while supportive of the proposal she was keen to ensure that Audit Wales staff could work in a private area and that the wall planned to facilitate that would be provided. The EDCS explained that in the Llandudno Junction office the office space would be shared with another tenant with effect from 01 August. While operating protocols had been put in place and a soundproofed pod provided for private conversations, he recognised that this might be a concern for some staff. The HoBS confirmed that she would be consulting the Law and Ethics team on the practicalities of operating in a shared environment. The EDAS asked whether it would be feasible to have self-contained space in North Wales, noting that this was unlikely under the terms of the Lease. The Board Chair asked for an update on the North Wales office sharing position at the next Board meeting.	HoBS
18.4	The Board approved the move to the Welsh Government premises on a 5-to-10-year lease, with suitable break clauses.	
19	Consultation: appointment of AGW as auditor of Adnodd Cyfyngedig	

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19.1	The AD&G Manager explained that the Auditor General was eligible to audit particular Welsh Government companies, but before appointment, the Welsh Ministers were required to consult with the Wales Audit Office (Board). He confirmed that the Welsh Ministers wished to appoint the Auditor General to audit Adnodd Cyf.	
19.2	In response to questions, the AD&G Manager confirmed that the audit would take place by December 2024, it would attract fees and its delivery would only slightly detract from efforts to get back on track with audit delivery.	
19.3	The Board noted that it had been suitably consulted and was content for the Auditor General to be appointed as auditor of Adnodd Cyf.	
20	Review of the forward work programme	
20.1	The Board discussed its forward work programme which the Board Secretary would update.	
21	Any other business	
21.1	There was no other business.	
22	Review of the meeting	
22.1	The Chair invited feedback on the meeting, and attendees commented on: <ul style="list-style-type: none"> • the breadth of the agenda, depth of the discussions and scrutiny; • the helpful input from staff who dealt positively with difficult questions; • the challenges of working with the figures for the Estimate, where additional context would have been helpful; • that it would be helpful to receive more detailed financial information; • the Chair's decision to take the Estimate discussion in private, due to the prominence of matters related to pay, which he would reflect on; and • the valuable review and discussion of the environmental analysis and risks. 	
23	Date of next meeting:	
23.1	Board meeting 01 and 02 October 2024, Swansea	