

**Minutes of the WAO Board meeting  
on Friday 31 January 2014**

**Members:**

Isobel Garner	Chair and non-executive member
Chrissie Hayes	Non-executive member
David Corner	Non-executive member
Huw Thomas	Chief Executive and Auditor General for Wales
Peter Price	Non-executive member
Steve Burnett	Non-executive member

**Apologies:**

None

**In attendance:**

Ann-Marie Harkin	Group Director, Resources	Items 9 – 12
Gillian Body	Assistant Auditor General, Performance Audit (AAGPA)	Full meeting
Kevin Thomas	Assistant Auditor General, Planning and Resources (AAGP&R)	Full meeting
Martin Peters	Compliance Manager	Items 5 - 11 and 13
Simon Edge	Auditor General's Private Secretary (AGWPS)	Item 8
Terry Jones	Technical Manager	Items 9 and 10
Bernadette Daley	Board Secretary	

Item	Agenda
1	Chair's welcome and apologies for absence
2	Declarations of interest
3	Minutes of the meeting of 18 December 2013 and matters arising
4	Auditor General's update
5	Elected employee members' terms of appointment
6	The Seal of the WAO: procurement and application
7	The transfer of documents and records from the AGW to the WAO
8	Purchasing audit services
9	Draft annual plan 2014-15
10	WAO business plan 2014 to 2017
11	Scheme of fees 2014-15
12	Dashboard report for the period to 30 November 2013
13	Strategic equality plan: equality objectives
14	Pay negotiations 2014-15
15	Voluntary exit
16	Any other business

Item	Minutes	Action
<b>1.</b>	<b>Chair's welcome and apologies for absence</b>	
1.1	The Chair welcomed members and those in attendance to the Board's fourth meeting.	
1.2	There were no apologies for absence.	
<b>2.</b>	<b>Declarations of interest</b>	
2.1	The Chair declared a potential conflict in respect of item 11 – the scheme of fees 2014-15 – in the event that individual audited bodies were identified during discussion of that item.	

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<b>3.</b>	<b>Minutes of the meeting of 18 December 2013 and matters arising</b>	
3.1	The Board agreed to add, at paragraph 6.2, the need for the WAO to develop a wider range of HR indicators as the dashboard develops.	BD
3.2	Subject to that amendment, the Board approved the minutes as an accurate record of its meeting on 18 December 2013.	BD
<b>4.</b>	<b>Auditor General's update</b>	
4.1	The Auditor General shared with the Board: (a) a paper prepared by the Chair of the Public Accounts Committee (PAC) which formed the basis of the Committee's discussions about its working practices; and (b) his letter of 27 January to the Chair of the PAC about proposed changes to that Committee's working practices and their potential impact on the WAO.	
4.2	The Auditor General explained that the PAC was beginning to undertake inquiries that do not directly result from his value for money studies. He had produced memoranda for two such studies currently underway. The Auditor General had highlighted to the Committee his need to balance the proportion of time the WAO spends on PAC-led inquiries and his studies programme in line with the capacity available to deliver them. Subject to that, the new arrangements appeared to be working well.	
4.3	The Board discussed the risk that supporting PAC-led inquiries in this way might dilute the Auditor General's role as the authoritative commentator on value for money issues. It supported the general principle that the broader range of support for the PAC would further enhance its effectiveness but suggested that the Auditor General's role in particular circumstances must remain clear. The Auditor General noted the need to maintain a watching brief.	
4.4	The Auditor General updated the Board on recently published reports and on those due for publication before the end of the financial year. In particular he explained the formal process involved in producing public interest reports and the need to ensure a separation – in the public consciousness – between the role and responsibilities of the auditor and those of the police.	
4.5	The Board noted that the Auditor General's address to the Welsh NHS Confederation had been well received and that he had been invited to speak at the UK conference. Members discussed the opportunity for raising the WAO's profile through press statements.	
4.6	The Board recognised the achievements of two financial audit trainees who had placed joint first and first in their ACA professional stage exams for business strategy and financial reporting respectively.	
4.7	The Board discussed its and the Auditor General's role in responding to the Williams' Commission's report on Public Service Governance and Delivery. It agreed to wait for the Welsh Government's response before considering next steps.	
<b>5.</b>	<b>Elected employee members' terms of appointment</b>	
5.1	The Board received an update on progress in developing the terms of appointment of the two elected employee members since it discussed them at its December meeting.	
5.2	The Board noted that the Equality Interest Group (EIG) was broadly content with the draft terms. However, the Group: (a) considered that it was unfair and potentially discriminatory to pro-rate facility time for part-time staff;	

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	(b) proposed amendments to two sub-clauses that could be perceived as having the potential to facilitate discrimination; and (c) considered that the remuneration proposed was fair.	
5.3	The Board also noted that the trades' unions' branch secretaries had provided an informal view of the proposals, acknowledging the wide range of members' opinions on a number of issues. They proposed that, as a general principle, the terms for employee members should reflect those of non-executive members and considered that there should be no restrictions on consecutive terms of appointment given the need to build experience in the role. The union representatives also opposed a pro-rated allowance of facility time for part-time staff on the basis that it would be discriminatory. They were firmly of the view that remuneration for the role should be non-pensionable.	
5.4	The Board discussed the remuneration for the role, notably whether any pension arrangements could potentially discriminate against younger staff. Members understood the complexity of adjusting any pension for age-related factors. They were strongly in favour of the remuneration being non-pensionable but accepted that that decision was a matter for the Cabinet Office to determine.	
5.5	The Board agreed: (a) to delete the provision pro-rating facility time for part-time staff; (b) to provide for remuneration of £4,167 if it is not pensionable and £3,472 if it is pensionable; (c) that discussions with the Cabinet Office should emphasise in the strongest possible terms a preference that the remuneration should not be pensionable; (d) an amendment providing for employee members to serve a single additional consecutive term; (e) an amendment to the termination provisions to align them with those in the 2013 Act; (f) additional text to recognise the WAO's obligations under the Equality Act 2010; (g) an amendment to the payment provisions for consistency with payroll practice; and (h) additional text to clarify the circumstances in which disqualification from membership of the WAO would apply.	
5.6	The Board approved the terms and conditions subject to the Cabinet Office determination of any pension arrangements.	
<b>6.</b>	<b>The Seal of the WAO: procurement and application</b>	
6.1	The Board received a paper explaining the need for the WAO to procure a seal in order to execute deeds to acquire and dispose of rights to property.	
6.2	The Board accepted the recommendation that officers should obtain quotes for the production of a seal that reflects the design of the WAO logo.	MP
6.3	The Board also accepted the recommendation that the WAO's scheme of delegation be amended to enable the proper use of the seal without Board members needing to personally administer its use. However, members agreed that the delegation must refer to the requirement for a Board resolution to apply the seal and that the time and place of that resolution must be properly recorded.	MP
<b>7.</b>	<b>The transfer of documents and records from the AGW to the WAO</b>	
7.1	The Board received a paper explaining that, with the transfer of functions from the Auditor General to the WAO on 1 April 2014, corporate documents and records relating to the administration of the organisation will also transfer. Members noted	

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	the range of issues arising in respect of the transfer, including the need to ensure ease of access for staff. They discussed the proposal to establish a project to develop a corporate handbook encompassing all corporate policies and similar documents.	
7.2	The Board agreed that the principle underpinning the proposal was sound and discussed the adequacy of the resourcing arrangements given competing priorities. It agreed that: <ul style="list-style-type: none"> <li>(a) where documents apply to both the Auditor General and the WAO, such as the Strategic Equality Plan, the aim should be for a joint document;</li> <li>(b) members would e-mail any comments on the proposed structure of the handbook to Martin Peters;</li> <li>(c) the Auditor General would review the scope of the project to establish a target date for its delivery;</li> <li>(d) officers would advise the Board of any necessary amendments to policies or other documents that must be implemented from 1 April and which may require a resolution on that date.</li> </ul>	Board HVT MP
<b>8.</b>	<b>Purchasing audit services</b>	
8.1	The Auditor General's private secretary reminded the Board that, at its meeting in December, it had considered a briefing paper giving a general overview of audit supply in preparation for the decisions it would need to make on its future contracting arrangements.	
8.2	Members had received a more detailed paper setting out the context of, and options for the future supply of audit services. Subject to the Board's views, more detailed modelling of the options, linked to the medium-term financial strategy and workforce strategy, would allow it to make purchasing decisions.	
8.3	The Board agreed: <ul style="list-style-type: none"> <li>(a) to e-mail any initial thoughts to the private secretary;</li> <li>(b) that it would be useful to have a steer from the Executive Committee on its preferred outcome from the exercise; and</li> <li>(c) that a paper at its March briefing session, to include the strategic context, would help inform its consideration.</li> </ul>	Board HVT SE / BD
<b>9.</b>	<b>Draft annual plan 2014-15</b>	
9.1	The Group Director, Resources reminded the Board that the Public Audit (Wales) Act 2013 requires the Auditor General and the WAO to jointly prepare, and lay before the National Assembly by 1 April each year, an annual plan for the following financial year. She invited comments on the draft plan for 2014-15 in front of the Board, confirming that it complied with statutory requirements in respect of its content.	
9.2	The Board commended the draft annual plan and discussed its relationship to the three-year rolling business plan currently in development. It agreed that: <ul style="list-style-type: none"> <li>(a) the Chair would draft a foreword on behalf of the Board setting the tone and ethos;</li> <li>(b) the Chair would also draft a paragraph for the body of the plan covering the transition to the WAO Board and new ways of working;</li> <li>(c) the executive would regard the Board as a formal stakeholder to be consulted on the Auditor General's 2014-15 work priorities; and</li> <li>(d) subject to the Finance Committee's timetable, it would approve the final plan at its meeting on 12 March.</li> </ul>	IG IG HVT AMH / BD
<b>10.</b>	<b>WAO business plan 2014 to 2017</b>	

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10.1	The AAGP&R delivered a presentation outlining: (a) the principles for developing the business plan; (b) the key elements of the business planning process; (c) how the business plan will drive the WAO's business and support the production of statutory outputs such as the annual plan; (d) key performance measures; and (e) the timetable for the plan's development.	
10.2	The AAGP&R also tabled an outline format of the business plan for the Board's consideration.	
10.3	The AAGP&R explained that the business plan would have a strong client focus with clear links between activities and the WAO's strategic objectives. The sector leads, heads of practice and corporate directors will develop the plan in consultation with their teams.	
10.4	The AAGP&R outlined the scope of the work needed to further develop the performance measures that would enable the WAO to monitor and report progress in delivering the business plan. To facilitate that, there will be a six-month pilot of the draft plan from 1 October 2014 before an external launch from 1 April 2015.	
10.5	The Board emphasised that the development of the business plan should be a relatively routine task but that management must generate the necessary momentum to complete it. Members: (a) agreed that the plan should be a joint WAO – Auditor General document; (b) supported the concept of the six-month pilot exercise to test the draft plan but emphasised that it needed to be seen as an important document by WAO staff; (c) cautioned against the risk of an overly long document; (d) agreed that, whilst the starting point for the plan should be the corporate strategy, a focus on outcomes would help to identify the activities needed to deliver them and ease performance measurement – the focus must be on what the WAO is to deliver rather than how; (e) agreed that consistency in format and drafting for each area of the business is key; and (f) suggested that it would be more helpful to cover information management, not information technology.	KT
10.6	The Board endorsed the overall approach to developing the business plan.	
<b>11.</b>	<b>Scheme of fees 2014-15</b>	
11.1	The Group Director, Resources reminded the Board that the WAO must have a scheme of fees in place, approved by the National Assembly, by 1 April 2014. She explained that there has been no historic requirement to prepare such a scheme though the Auditor General is required to consult annually on his proposed fee scales for work in local government bodies and for data matching.	
11.2	The Group Director, Resources also reminded the Board that, at its meeting on 18 December, members had requested additional information about the WAO's revised cost allocation methodology – which had resulted in significant increases to the cost of some audit work – and the arrangements for minimising the impact of increased fees across sectors.	
11.3	The Group Director, Resources explained that, because of the transition, in 2014-15 the WAO would develop three fee schemes: (a) the draft scheme tabled for this meeting which would allow it to charge fees for	

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	<p>per diem work from 1 April;</p> <p>(b) a revised scheme as soon as possible after 1 April to encompass the fee scales that the WAO will be required to prescribe and publish; and</p> <p>(c) the first full scheme of fees in the autumn of 2014 covering the totality of work for which the WAO may charge audit fees.</p>	
11.4	<p>The Board was content that:</p> <p>(a) increases in fees charged to local government bodies would be offset to an extent by the planned refund of the WAO's reserves in proportion to each body's current audit fee; and</p> <p>(b) health bodies would benefit from the outcome of the HMRC ruling that the Auditor General may not charge VAT on their fees.</p>	
11.5	<p>The Board discussed the options for managing increases in the fees charged of Welsh Government sponsored bodies (WGSBs). It noted that the Financial Audit Directors' Committee (FADC) would be reviewing the WAO's audit approach and that discussions are underway with the Welsh Government about a sustainable solution for bodies where, historically, the fee has been lower than the cost of audit. Members also noted that FADC favoured a phased increase over three years on the basis of the reputational risk attached to significant fee increases in this sector.</p>	
11.6	<p>The Board approved management's preferred option in WGSBs and the scheme of fees as drafted. It asked for sight of the communications plan setting out the key messages for each sector. The Board also emphasised the need to be transparent, with the Finance Committee and audited bodies, about the rationale for fee setting, the cost of audit work and the arrangements for mitigating the impact of fee increases in 2014-15.</p>	AMH
<b>12.</b>	<b>Dashboard report for the period to 30 November 2013</b>	
12.1	<p>The Group Director, Resources presented the dashboard report confirming the financial performance to the end of November together with performance in delivering audit work and outturn against a number of staff-related indicators.</p>	
12.2	<p>The Board discussed the challenges in profiling work accurately to ensure the effective management of delivery and touched on some of the actions in place to improve it.</p>	
12.3	<p>The Board also discussed trends in sickness absence, noting the arrangements in place to manage it including the occupational health service and absence management training.</p>	
12.4	<p>The Board noted the financial position and agreed that a briefing session on resource accounting would be helpful.</p>	BD / AMH
<b>13.</b>	<b>Strategic equality plan: equality objectives</b>	
13.1	<p>The AAGP&amp;R presented a paper explaining that the Equality Act 2010 introduced a general duty requiring public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations. In Wales, there are specific duties for public bodies including:</p> <p>(a) to set and publish equality objectives in respect of each protected group defined in the Act;</p> <p>(b) to prepare, publish and review a strategic equality plan which includes the objectives; and</p> <p>(c) to produce an annual progress report on compliance with the general duty.</p>	
13.2	<p>The AAGP&amp;R explained that, from 1 April 2014, the WAO will be subject to the general and specific equality duties. The Auditor General will also need to revise his</p>	

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	<p>strategic equality plan to reflect the changes to his functions. The AAGP&amp;R recommended that:</p> <p>(a) the Board adopts those objectives in the Auditor General's plan relevant to the internal functions that would transfer to the WAO in April on the basis that they have been subject to extensive consultation and remain relevant; and</p> <p>(b) subject to (a), work should commence on producing a joint strategic equality plan to be adopted by the Board and the Auditor General for publication by 1 April.</p>	
13.3	The AAGP&R confirmed that the Equality Steering Group (ESG) and the Equality Interest Group (EIG) support this proposed approach. He also informed the Board of plans for a staff survey in February to gauge the impact of the equality work to date.	
13.4	The Board questioned the proposed division of the equality objectives some of which seemed to overlap the functions of the WAO and the Auditor General. It discussed the joint adoption of all the objectives and applying them as appropriate in their different roles. However, management clarified the separate functions of the WAO and the Auditor General and confirmed an appropriate division of the equality objectives. The Board approved the proposal for production of a joint strategic equality plan.	KT
13.5	Chrissie Hayes took the opportunity to update the Board following an EIG meeting which she attended in her capacity as an equality ally. She commended the level of commitment demonstrated by members but noted that they had diminished in number since the group's establishment. The EIG's relationship to the ESG was unclear and there was little evidence that its work is guided by a strategy. Instead, the EIG's focus has been on policy development work which, whilst important, has been a significant drain on resources.	
13.6	The Board noted that the EIG and ESG had convened a joint meeting for March. It agreed to take a paper at a future meeting on refreshing and reinvigorating the arrangements.	KT
<b>14.</b>	<b>Pay negotiations 2014-15</b>	
14.1	Pending the establishment of a formally constituted Remuneration Committee the Board considered management's proposed approach to pay negotiations following receipt of the joint claim from the trades' unions.	
14.2	The Board supported management's approach subject to the results of any equality impact assessment. It also requested an update on the negotiations as they progressed.	KT
<b>15.</b>	<b>Voluntary exit</b>	
15.1	Also pending the establishment of a formally constituted Remuneration Committee the Board considered an application for voluntary exit and advised the Auditor General to approve it subject to written agreement of the arrangements that will ensure no ongoing pension liability for the WAO.	HVT
<b>16</b>	<b>Any other business</b>	
16.1	<p>The Chair confirmed that business for the Board's next briefing session and meeting would include:</p> <p>(a) a paper on the options for a research study on the impact and effectiveness of elected employee board members;</p> <p>(b) a snapshot of the WAO's customer satisfaction work;</p> <p>(c) the Relationship Code and the members' Code of Conduct; and</p> <p>(d) a discussion about the high level strategic documents that the Board should review.</p>	BD

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<b>Item</b>	<b>Minutes</b>	<b>Action</b>
16.2	There was no other business.	
<b>17</b>	<b>Date of next meeting</b>	
17.1	Wednesday 12 March 2014 in Cardiff.	