

**Minutes of the WAO Board meeting
on Wednesday 23 April 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:

Gillian Body	Assistant Auditor General, Performance Audit (AAGPA)	Full meeting
Kate Kuring	Victoria Auditor General's Office (observer)	Full meeting
Kevin Thomas	Director of Corporate Services	Items 1 to 6 and 8 to 10
Mike Usher	Sector Lead, Central Government and Health	Full meeting
Bernadette Daley	Board Secretary	

Item	Agenda
Part 1: preliminaries	
1	Chair's welcome and apologies for absence
2	Declarations of interest
3	Minutes of the meeting of 12 January 2014 and matters arising
4	Auditor General's update
5	Chief Executive's report
Part 2: for adoption / decision	
6	Strategic Equality Plan
7	Nomination of the Auditor General's appointee to the Board
8	Stakeholder survey: update
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9	Corporate risk register
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Item	Minutes	Action
Part 1: preliminaries		
1.	Chair's welcome and apologies for absence	
1.1	The Chair welcomed members and those in attendance to the Board's first meeting since it assumed in full the responsibilities transferred to it by the Public Audit (Wales) Act 2013. She thanked those responsible for ensuring that the Board had met its statutory obligations in preparing for the transfer.	
1.2	In particular, the Chair welcomed Kate Kuring who was observing the meeting as part of a short secondment from the Victorian Auditor General's Office in Australia and who outlined her background and the purpose of her visit.	
1.3	The Chair expressed her appreciation: to non-executive members for their support in the senior staff appointments process; to Peter Price and the Board Secretary for the ongoing work in the employee election process; and to the Business Services team responsible for ensuring that the meeting accommodation was ready.	

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1.4	There were no apologies for absence.	
2.	Declarations of interest	
2.1	The Director of Corporate Services declared an interest in item 7 and would withdraw for that item.	
3.	Minutes of the meeting of 12 March 2014 and matters arising	
3.1	Subject to one drafting amendment, the Board approved the minutes as an accurate record of its meeting on 12 March 2014.	BD
3.2	The Board noted the status of the actions arising from its previous meetings as described in the action tracker. Members noted that a number of items originally planned for the April meeting had been deferred pending the establishment of a fully constituted Board with the appointment of employee members in May.	
3.3	The Board discussed the timing of its consideration of the WAO's risk strategy in the context of the ongoing internal audit review of risk management arrangements and the ARMC's subsequent consideration of the review's outcome. It agreed that the strategy should link to the business plan currently in development, noting that it would receive a paper on the key performance measures at its meeting in May. The Board agreed to consider the risk strategy alongside the draft business plan in July.	KT
3.4	The Board discussed the timing of the briefing note on the report of Part II of the Commission on Devolution in Wales in the context of ongoing discussions about the report of the Williams Commission on Public Service Governance and Delivery.	
3.5	The Board Secretary confirmed that she had amended the action tracker to include the Board's agreement in March that the executive should maintain a record of any deviations from full cost recovery which had been omitted in error.	BD
3.6	The Board Secretary agreed to recirculate the revised register of interests' pro-forma to those members who had yet to review their previous declarations against the revised Code of Conduct.	BD
3.7	The Board discussed the timing of the evaluation of the long-term impact of the staff conference, noting the broader context of the culture development programme and the intention to conduct periodic "pulse" surveys of staff views. The executive will consider an appropriate method for the evaluation and reporting format for the Board.	HVT
3.8	The Chair reminded the executive that, pending approval of the revised governance arrangements for commissioned work, all proposals to tender for such work required the Board's approval.	HVT
4.	Auditor General's update	
4.1	The Auditor General explained that a number of transition project activities remained to be completed, including finalising the branding of audit reports to ensure clarity in the roles and responsibilities of the Auditor General and the WAO.	
4.2	The Auditor General confirmed that he would become the Appointed Auditor for principal local government bodies on completion of the audit of 2013-14 accounts.	
4.3	The Auditor General also confirmed that the National Assembly's Finance Committee: (a) would receive a briefing on 30 April on the WAO's funding arrangements; and (b) would consider the second scheme of fees (with the Annual Plan for 2014-15 and the Relationship Code) on 8 May.	
4.4	The Chair confirmed that no non-executive members would be present on 30 April	BD

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	but she requested sight of the briefing pack in preparation for her appearance alongside the Auditor General on 8 May.	
4.5	The Chair also confirmed that her meeting with the Chair of the Finance Committee on 24 March had gone well. The Committee was receptive to further discussions about the requirements of the Public Audit (Wales) Act 2013 in the light of experience. The executive and the Board Secretary would maintain a note of any amendments that might be helpful.	HVT / BD
4.6	The Auditor General confirmed that: <ul style="list-style-type: none"> (a) his report on the Cywain Centre had been published on 17 April and highlighted significant weaknesses in grants' management processes; (b) his report on EU Structural Funds 2007–2013 would be published on 24 April and concluded that good progress had been made; (c) at its meeting on 3 April, the National Assembly's Public Accounts Committee (PAC) had taken further evidence for its inquiry into senior management pay which had been informed by his memorandum published in February; and (d) the PAC would be publishing its report on Unscheduled Care on 25 April. 	
4.7	The Board discussed the reputational and relationship issues for the WAO in any public perception of a link between the production of public interest reports and any subsequent police investigations.	
4.8	The Board discussed the Welsh Government's review of audit, inspection and regulation following the conclusion of the phase I consultation. Members noted that the Welsh Government had indicated a pause in its consideration of the next steps in the review. They did, nevertheless, emphasise the need to monitor the risks attached to the review.	HVT
4.9	The Auditor General confirmed that the National Assembly's Health and Social Care Committee had published its report on the work of Healthcare Inspectorate Wales (HIW). The Committee had concluded that a lack of clarity about its roles and responsibilities had undermined the Inspectorate's effectiveness. It had also recommended a fundamental review of HIW's functions. The Welsh Government's response was awaited.	
5.	Chief Executive's report	
5.1	The Auditor General in his capacity as Chief Executive described the financial position at the end of February confirming that the WAO was on target to achieve at least the required break-even position, following any necessary repayments to the Welsh Consolidated Fund and the repayment of local government reserves. He also confirmed that the targets for national study outputs and local government improvement assessment letters had been met or exceeded.	
5.2	The Director of Corporate Services confirmed that the fee moderation process was complete and that the repayment of local government reserves would follow completion of the audit of 2013-14 accounts. Officers also confirmed that some central government bodies could expect a significant increase in their fees; the Welsh Government was considering how it might mitigate those increases, including by examining the nature and focus of the Auditor General's discretionary assurance work.	
5.3	In response to a question from the Board, the AAGPA confirmed that 64% of the 2013 health performance audit programme had been delivered by the end of March but against a target of 80%. She expects the programme to be substantially complete by June 2014. She explained that the team had received very positive feedback from audited bodies in the sector about the value and timeliness of the	

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	work.	
5.4	The Board discussed the need to ensure that the Auditor General was in a position to inform the national debate on the health service given the UK Government's much publicised criticism of performance in Wales. It noted HIW's plans to refocus the Concordat between external review bodies operating in the sector. A new protocol on escalation and intervention arrangements formalises the joint approach adopted in the joint review of Betsi Cadwaladr University Health Board and Board members would receive a copy for information.	MU
5.5	The Board discussed the shortfall in performance audit income, noting that some efficiencies had yet to be declared and that high levels of sickness absence had affected delivery.	
5.6	The Chief Executive noted the small improvement in the percentage of working days lost to sickness absence, a number of staff on long-term sickness having left the organisation.	
5.7	The Board discussed the update on pay negotiations for 2014-15 noting that: (a) management's offer is within HM Treasury's maximum average increase of 1% for public sector pay awards; (b) the review of pay bands 1 to 7 will focus on any anomalies identified by the trades' unions; and (c) the Remuneration Committee will consider the draft terms of reference for the review with final approval by the Committee's Chair before the start of the work.	SD
5.8	The Board discussed the profiling of performance audit chargeable time in August and December and the pattern of delivery of national report products for the PAC.	
5.9	The Board discussed the value of the Chief Executive's report in stimulating a broader and richer discussion about the WAO's performance. Members noted that the business plan would help to shape the report going forward. They discussed how the senior leadership team would maintain the momentum generated by the culture development programme, how it would measure progress in further establishing leadership behaviours and how it would ensure its accountability for progress to the Board.	
5.10	The Chief Executive confirmed that the senior leadership team would be meeting on 14 May in a facilitated workshop that would include discussing roles and responsibilities within the leadership team and its relationship to the Board. The Board would receive an update at its next meeting.	HVT
5.11	The Board noted the ongoing development of the WAO's performance monitoring arrangements, emphasising the need for clarity about responsibilities for completing the work and for providing information on an ongoing basis. It agreed to receive a revised structure for the Chief Executive's report alongside the business plan in July.	KT
Part 2: for adoption / decision		
6.	Strategic Equality Plan (SEP)	
6.1	The Director of Corporate Services reminded the Board that, at its meeting in January it had approved a proposal for the production of a joint SEP in which the WAO would adopt updated versions of the Auditor General's 2012 objectives relating to employment and procurement matters.	
6.2	The Director of Corporate Services presented the draft Plan noting that it had been constructed with input from the Equality Steering Group, the Equality Interest Group and the Board Equality Champion. He explained that engaging with groups representing those with protected characteristics had been challenging because of	

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	the capacity issues such organisations face. However, an event had now been organised for early June.	
6.3	The Director of Corporate Services explained the one substantive change in respect of the revised objective on gender pay differences; modelling suggests that the current gender pay gap of 17% (down from 22% in 2012) is unlikely to reduce significantly because of historical factors influencing the distribution of men and women across pay bands.	
6.4	The Board discussed the gender pay gap noting: that there was no evidence of active discrimination against women; that historical factors influenced the distribution of men and women across pay bands; and that the need to present the analysis in a way that protected personally identifiable data over-emphasised the extent of the issue. The Board agreed that the analysis was useful in directing management action to any areas of potential concern. However, members also agreed: <ul style="list-style-type: none"> (a) that the Plan would confirm the statutory requirement to publish the Gender Pay Equality Plan but would also indicate that data in respect of other protected characteristics is used to inform policy development; (b) to re-work the WAO's third and fourth objectives such that together they cover both gender pay differences and other protected characteristics; and (c) to refer to the fact that, whilst the WAO has no evidence of active discrimination against women, it would be working towards a final conclusion with a view to publishing the outcome in the next progress report. 	
6.5	The Board also agreed that the Chair and the Equality Champion would approve the amendments, subject to which the Board would adopt the SEP.	KT / IG / CH
7.	Nomination of the Auditor General's appointee to the Board	
7.1	The Director of Corporate Services withdrew from the meeting for this item.	
7.2	The Auditor General explained that, under paragraph 15(1) of schedule 1 to the Public Audit (Wales) Act 2013, he was recommending the Director of Corporate Services for appointment to the Board by non-executive members.	
7.3	The Auditor General was also taking the opportunity to designate the Director of Corporate Services to act as the Accounting Officer in the Auditor General's absence.	
7.4	The Board discussed the need to ensure an appropriate level of support for the Director of Corporate Services and the elected employee members given the different role and responsibilities attached to Board membership.	
7.5	The non-executive members accepted the Auditor General's recommendation. They confirmed that the appointment is made on the basis of the existing role and responsibilities of the Director of Corporate Services such that it would terminate on whichever is the sooner of: <ul style="list-style-type: none"> (a) the making of a new appointment following a recommendation by the Auditor General; or (b) 16 October 2017. 	
8.	Stakeholder survey: update	
8.1	Non-executive members were surprised to receive a paper indicating a revised proposal for the stakeholder survey given the urgency attached to the decision about the original proposal in March.	
8.2	The Auditor General explained that the Management Committee had reconsidered the timing and scope of the survey in the context of the timing of communications	

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	about audit fees and the associated relationship management issues.	
8.3	The Auditor General tabled an updated timetable for the survey. The Board agreed that: (a) all Board members would receive the final survey questions via e-mail on 6 May (with an alert sent to their personal e-mail accounts); (b) Board members would return any comments by 5pm on 9 May; and (c) the Chair and the Auditor General would discuss any differences of opinion in the comments on the questionnaire and finalise it for electronic distribution on 19 May.	KT
8.4	The Board remarked on the relatively short turnaround time for audited bodies to respond to the survey, noting that this presented a particular challenge for sector leads and engagement directors. Members also noted the arrangements in place to prevent multiple responses from the same organisation influencing the results.	
Part 3: for discussion		
9.	Corporate risk register	
9.1	The Director of Corporate Services presented the summary risk register. He reminded members of their earlier discussion (paragraph 3.3). He recognised the need to strengthen the arrangements, including through more effective engagement of the Management Committee and to ensure that those arrangements are firmly embedded alongside the business plan.	KT
9.2	The Board discussed the ARMC's expectations of the internal audit review and the Board's role in setting the strategy, potentially through a workshop session.	
10.	Any other business	
10.1	The Chair summarised the items of business provisionally tabled for the Board's next meeting in May.	BD
11.	Date of next meeting	
11.1	Friday 23 May 2014 in Ewloe.	
Part 4: shared learning on the senior appointments process		
	Board members held a short informal session to share their views on the appointment process.	