

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 3 July 2019

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

SeneddFinance@assembly.wales

The Committee resolved on the 27 June 2019 to exclude the public from the start of the meeting (Items 1 and 2)

- 1 Welsh Government Draft Budget 2020–21: Approach to scrutiny**
(09.00–09.15)
Paper 1 – Approach to scrutiny of the Welsh Government's Draft Budget 2020–21
- 2 Welsh Government First Supplementary Budget 2019–20:
Consideration of draft report**
(09.15–09.45)
Paper 2 – Draft report
- 3 Introductions, apologies, substitutions and declarations of
interest**
(09.45)
- 4 Papers to Note**
(09.45)
 - 4.1 PTN1 – Letter from the Minister for Finance and Trefnydd – Amending the
Government of Wales Act 2006 (Budget Motions and Designated Bodies)
Order 2018 – 27 June 2019**

(Page 1)



- 4.2 PTN2 – Letter from the Minister for Finance and Trefnydd to Suzy Davies AM
– Amending the Government of Wales Act 2006 (Budget Motions and
Designated Bodies) Order 2018 – 27 June 2019**

(Page 2)

5 Health and Social Care (Quality and Engagement) (Wales) Bill:

Evidence session

(09:45 – 10:30)

(Pages 3 – 21)

Vaughan Gething AM, Minister for Health and Social Services

Sioned Rees, Senior Responsible Officer, Health and Social Care (Quality and
Engagement) (Wales) Bill

Rhian Williams, Policy Lead, Health and Social Care (Quality and Engagement)
(Wales) Bill

[Health and Social Care \(Quality and Engagement\) \(Wales\) Bill](#)

[Explanatory Memorandum](#)

Research Brief

**6 Motion under Standing Order 17.42 to resolve to exclude the
public from the remainder of the meeting**

(10.30)

**7 Health and Social Care (Quality and Engagement) (Wales) Bill:
Consideration of evidence**

(10.30–10.45)

**8 Scrutiny of the Assembly Commission Draft Budget 2019–20:
Voluntary Redundancy Scheme**

(10.45–10.55)

(Pages 22 – 32)

Paper 3 – Letter from the Assembly Commission – Voluntary Redundancy
Scheme – 19 June 2019

9 Children (Abolition of Defence of Reasonable Punishment) (Wales)

Bill: Consideration of draft report

(10.55–11.05)

(Pages 33 – 58)

Paper 4 – Draft report on the Children (Abolition of Defence of Reasonable Punishment) (Wales) Bill

10 Code of Practice governing the relationship between the Auditor

General for Wales and the Wales Audit Office

(11.05–11.20)

(Pages 59 – 77)

Paper 5 – Code of Practice governing the relationship between the Auditor General for Wales and the Wales Audit Office

Paper 6 – Letter from the Auditor General and the Wales Audit Office – 18 June 2019

Llyr Gruffydd AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff

27 June 2019

Dear Llyr,

Thank you for your letter regarding the Welsh Government's consultation to amend the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2018.

Taking each of your queries in turn:

- 1) International Business Wales (IBW) was omitted from the phase 2 designation as it is not formally classified by the Office of National Statistics (ONS). The formal classification of IBW is currently underway in readiness for the 2019 Designation Order. It is expected to be classified to the Central Government sector.
- 2) Welsh Government Sponsored Bodies – Tribunals do not fulfil the criteria to be classified as a separate institutional unit by the ONS. Therefore, they are regarded as part of Welsh Government with their resources are already included within the Welsh Government's resource budget, budget motion and consolidated accounts.

HM Treasury has confirmed that the current listing of tribunals on the ONS classification guide is an error. We have requested that the guide be corrected as soon as possible.

- 3) Following consideration of the responses received as part of this consultation, I will advise the Committee of my conclusions including an explanation for any bodies that will be excluded and their impact where appropriate.

Yours sincerely,



Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Suzy Davies AM
Suzy.Davies@assembly.wales

27 June 2019

Dear Suzy,

During Business Questions last week, you raised a query in respect of the consultation on amending the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2018.

This Order is part of the exercise to align budgeting and accounting boundaries – a recommendation of the Fourth Assembly's Finance Committee following its inquiry into Best Practice Budget Processes in 2015. It is a technical procedure which will allow the resources of bodies that fall within the central government sector to be included within a budget motion tabled under section 125 or 126 of the Government of Wales Act 2006. Given the technical nature of this Order, the consultation is limited to those bodies proposed to be designated within the Order, the Wales Audit Office and the Finance Committee.

The consultation was sent to every body proposed to be designated within the Order on 1st May. My officials are currently meeting with consultees to discuss any issues or points of clarity they may have in advance of formally responding to the consultation by 31st July.

All bodies proposed to be designated are, or are expected to be, classified to the central government sector by the Office of National Statistics. This is the criteria by which the UK public expenditure framework applies and governs the budgetary treatment of public bodies.

Yours sincerely,

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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Agenda Item 8

Llyr Gruffydd AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

19 June 2019

Dear Llyr

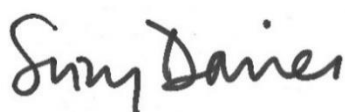
Voluntary Redundancy Scheme

Thank you for your letter of **24 May 2019**, seeking further clarification in relation to the Assembly Commission's voluntary redundancy scheme.

Your letter requests that we provide information on the overall governance and monitoring of the voluntary exit scheme. This information is provided in Annex 1.

If you would like any further information on the voluntary exit scheme, please do not hesitate to let me know.

Yours sincerely



Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan

Annex 1

1. Further details on the proposal considered by the Executive Board and/or Assembly Commission when reaching its decision to undertake the exit scheme;

The Commission formally reached its decision to proceed with a VES on 5 November 2018. The Commission had indicated that this was an option being considered in its 2019-20 budget, laid in draft on 30 September.

The Commission agreed with the course of action recommended to it by the Executive Board. The paper presented to the Commission on 5 November noted the following:

Over the last 12 months we have successfully met an increasing demand for resources from within the existing establishment of 491 posts. This has been achieved through absorbing some of the load within existing resources, better prioritisation and by challenging the need to replace vacant posts on a like-for-like basis. As a result, we have been able to reallocate 10 vacancies, arising from natural turn-over, to higher priority roles, primarily arising from Brexit and Constitutional Change. However, this approach alone cannot be relied upon indefinitely and, whilst the establishment cap remains in place the Commission will need additional solutions to meeting new demands for resource and skills.

The aims of the VES were defined as:

- Allowing the organisation to respond to shifts in its skill requirements;
- Improving workforce efficiency;
- Facilitating organisational change; and
- Delivering long-term savings where possible and/or avoiding additional costs in meeting skill shortages.

Commissioners agreed to proceed with a VES and asked the Chief Executive & Clerk and Accounting Officer to write to both PAC and the Finance Committee to inform them of this decision.



2. The criteria that were used to select people for exiting the organisation;

The aims of the VES are listed above. Details of the criteria used for assessing applications can be found in Annex 2. The criteria were included as part of the VES guidance issued to staff and line managers.

3. How the VES was informed by the Assembly Commission's capacity review and what consideration was given to workforce planning to ensure that departments were not unduly affected by staff reductions;

The Capacity Review looked in detail at the Commission's existing structure and distribution of resources to identify opportunities for improving the effective use of skills and experience and also where there may be benefits to be gained in realigning elements of the organisation.

For example, the Capacity Review identified a need for a review of communication and engagement activities. One of the conclusions of that review identified the need for new specific skills and experiences in this area and the VES has allowed us to respond to this.

The aims and selection criteria on which the VES was based, clearly reflect these outcomes from the capacity review and the VES has provided an opportunity for the Assembly Commission to begin to address restructuring of services and evaluate the skill sets needed for the future. Workforce Planning was at the forefront of line management considerations, and as part of the criteria line managers were asked:

If the individual leaves, what level of direct or indirect improvement in workforce efficiency could be generated as a result

They were also asked:

Would the individual's departure create a business continuity risk?

Therefore, as well as considering the suitability of particular applicants when assessing applications; consideration was also given to the needs of the organisation and the potential effects of departures on service areas.

After line manager consideration, the forms were approved by the appropriate Director with their comments. The scores were then moderated by the Director of



Finance and Head of ICT. They saw and moderated all applications and were able to calibrate the scoring and ensure that applications were being scored in a consistent manner.

The potential impact of departures and the effect of interdependencies between services was also considered by the VES Panel who were able to make decisions about each application and consider the potential impact on the Assembly Commission. This aspect of the process involved significant discussion and deliberation to ensure that all relevant factors were evaluated.

4. Confirmation of the Cabinet Office's approval of the £1.5m budget;

Decisions to run a Voluntary Exit Scheme are devolved, and therefore a matter for the Assembly Commission. Whilst Cabinet Office approval is not required for the scheme nor the budget, on each occasion that a VES scheme is considered, the Commission notifies the Cabinet Office of its intention as it is their responsibility to ensure the VES is run within the scheme rules and to notify the Civil Service Pension Scheme administrators, MyCSP. The Cabinet Office issued the unique scheme identifier: VENAW7Y to us on 23 August 2018.

5. Information on the approval process by the Executive Board to increase the budget from £800k to £950k and subsequently to £1.016m and whether these budget increases were also considered/approved by the Assembly Commission;

The Commission has delegated responsibility for all resource decisions to the Chief Executive and Clerk, subject to a delegation limit of £5m on individual items. However the Chief Executive and Clerk has included the Commission in the decision making process to proceed with the VES and has kept the Commission updated throughout the process. Increases to the budget were discussed and agreed at Executive Board and communicated to the Commission on 5 November 2018 and 1 April 2019 as the need became apparent.

Information on the VES was included in the 2019-20 laid budget document, which was scrutinised by the Finance Committee and approved by the Assembly. The budget document noted the following:



Extract from 2019-20 laid budget document:

No organisation stands still in terms of its need for specific skills and experience, equally changing Assembly needs mean that the skills of some staff are no longer able to be used to meet new priorities. To help manage this change in resource needs, we have previously offered a Voluntary Exit Scheme (VES) to staff. The benefit of running a VES is that it enables the Commission to utilise the capacity released to deliver the highest priority needs and to adapt the skills mix so that it is aligned to current and identified future challenges. Any VES would be subject to robust criteria for targeting and selection and also to manage costs. Given that we know we will face additional demands for resource to address the legislation arising from Brexit and Assembly Reform, within the establishment cap, we are seriously considering offering a VES in the final quarter of the 2018-19 financial year. The VES could be funded through operational business savings from the 2018-19 and 2019-20 staff budgets.

6. The number of individuals that received or are due to receive payments over £95,000 and the amount/s that were paid or are due to be paid;

Two individuals will receive payments over £95,000. Information on these payments will be disclosed in the Assembly Commission's 2018-19 Annual Report and Accounts, to be published in July 2019.

The first payment, to the Chief Legal Adviser, is disclosed as £115k to 120k and will be paid on 28 June 2019 and the second payment, to the Director of Engagement, is disclosed as £125k to 130k, and will be paid on the 30 September 2019.

7. That consideration was given to the value for money, payback period, overall cost, retention of key skills, and the ability or the attempts made to redeploy the individuals that received exit payments of £95,000 or more;

Each application was considered, mindful of these factors, by the moderating panel and the assessment panel. Prior to approval, a form was submitted to Cabinet Office, due to the payments being over £95,000. Cabinet Office agreement was



obtained in both cases, based on the detailed information supporting each of these cases, provided in the submitted forms.

Payments over £95,000 require active consideration of opportunities to reduce payments and to demonstrate value for money, including negotiation with individuals. This was undertaken and we achieved a significant reduction compared to the official entitlement.

8. If any senior managers who accepted VES were involved in designing the scheme and any conflict of interests that may have arisen, including steps to mitigate them;

No members of staff, including senior managers, who applied for VES, were involved at any stage of the VES process, and absented themselves from any formal discussions at relevant decision-taking meetings.

9. Based on the increase of the establishment cap of six additional posts, along with 24 people leaving under VES, how many posts you expect to be saved by the VES;

The aims of the VES were primarily to increase efficiency rather than to deliver any savings on posts.

The Commission does not expect that the VES will result in a reduction in the established post count. The Commission believes that the current establishment, along with the additional flexibility provided by the VES, will enable the Commission to achieve its current known aims.

Each vacancy will be evaluated carefully and duties may be split, augmented or the post reallocated to a higher priority. This will be finalised over the summer.

10. What measures the Assembly Commission has in place to monitor the level of actual savings delivered by the scheme

As noted in the response to Q.1, the VES did not primarily set out to achieve savings in posts. It did however set out to deliver long-term savings where possible by avoiding the need to increase further the number of posts within the Commission in



the short-term. Staffing it the largest cost within the Commission's budget and is closely monitored in monetary terms and in terms of post numbers.

The Commission has existing measures in place to ensure that resources are used efficiently and effectively, these include:

- Annual workforce and service planning
- Internal audit reviews of services and functions
- Scrutiny by Audit Committee and Remuneration Engagement and Workforce Committee
- Performance indicators and annual stretch targets
- Annual scrutiny by Finance and Public Accounts Committees.



Annex 2

CRITERIA ON WHICH APPLICATIONS FOR THE VOLUNTARY EXIT SCHEME WILL BE ASSESSED

Decisions on applications for VE will be decided on the basis of the criteria below. Each application will be assessed against the criteria by the relevant Director/Head of Service in full consultation with the relevant line management chain. The scores for each criterion will be added together to reach an overall score and the Director/Head of Service will be responsible for submitting this assessment together with a supporting narrative to an assessment panel.

No member of staff applying for voluntary severance will play any part in the assessment process in order to ensure objectivity and to prevent any perception of a conflict of interest.

In reaching decisions on applications, those with lower scores are less likely to be successful than those with a higher overall score.

STAGE 1: Director/Head of Service Assessment

In reaching a view on scoring of applicants under Stage 1 of the process, line managers will work with the Director/Head of Service.

The criteria are as follows:

1. Do the person's skills and contribution match our needs for the Sixth Assembly/new Parliament?

Not a good match=3

Reasonable match=2

Excellent match=1

Account should be taken of the known and anticipated needs of the Service / Directorate and skills required to support delivery of the Commission's strategic aims.



2. Could the person potentially fill any vacancies that are likely to arise?

No=3

Unlikely but not impossible=2

Yes, high probability=1

Account should be taken of the potential vacancies known and likely to arise and the extent to which these offer a suitable and mutually acceptable alternative role.

3. Has there been a significant recent investment in the applicant's development that would be wasted?

No=3

Moderate investment of time or money=2

Yes, significant investment of benefit to Assembly=1

This area is concerned with the costs that the Commission has incurred in training and developing an individual during the last three years and whether the same investment would have to be made in a replacement. This includes the cost of professional qualifications required to carry out a particular role and general learning and development activities that apply to an individual post.

If the skills continue to be required when an application for early departure is successful, the assessment will need to consider whether the organisation would have to invest the same amount again in training a replacement, or whether a replacement can be identified who would incur no cost. The HR Operations Team would be able to advise on this issue. If a replacement would need to be trained, the cost of training should be reflected in the financial data provided to the Panel.

4. If the individual leaves, what level of direct or indirect improvement in workforce efficiency could be generated as a result?

Significant=3

Moderate=2

Minimal =1



HR Operations/ Finance are available to provide costing information if required. As well as identifiable financial savings, efficiencies may arise from, say, work being redistributed or adjusted within a team.

5. Would the individual's departure create a business continuity risk?

No=3

Yes, but manageable=2

High risk=1

6. Would approving the individual's application create a reputational risk?

No=3

Yes, but manageable=2

High risk=1

7. Would the individual's departure facilitate positive organisational change, directly or indirectly?

Yes, major potential=4

Yes, some potential=3

No=1

An individual leaving may provide an opportunity to reorganise a team or area of work with a positive benefit e.g. shorter reporting lines, facilitating merger of functions to deliver improved service delivery.

Director/Head of Service Recommendations

The Director/Head of Service will be responsible for drawing together the stage one assessments for applications and for providing a recommendation for each application. Recommendations will be provided to the Decision Making Panel.



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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Mr Llyr Gruffydd AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: AC/149/IG/19007/caf

Date issued: 18 June 2019

Dear Llyr

Code of Practice governing the relationship between the Auditor General for Wales and the Wales Audit Office

Under Schedule 2 of the Public Audit (Wales) act 2013, we are required to prepare, and lay before the Assembly for approval, this Code of Practice. The current version has been in place since 2014 when the Wales Audit Office was first fully constituted as a corporate body.

We have taken the opportunity of the appointment of a new Auditor General and the outcome of some Board effectiveness work completed in 2018 to review and refresh the Code. We attach the revised version which we laid on 14 June 2019.

The Code is much simplified in that we have reduced the duplicated text between the body of the document and the appendix and brigaded the text slightly differently under clearer headings. We have also strengthened the references to the Board's Code of Conduct which governs the registration of members' interests that allows us to identify, on an ongoing basis, any risks to the Auditor General's independence.

We have used our experience of the last five years to also strengthen the references to:

- the practical arrangements in place for monitoring and advising on the exercise of the Auditor General's functions under section 17 of the Act; and
- the processes we use to prepare and approve documents, such as the annual plan, that we are required to produce under the Act.

We have recognised explicitly that the effectiveness of the relationship depends as much on how the Chair and Auditor General work together on a day-to-day basis as on the framework of checks and balances we have in place to protect audit independence whilst implementing robust governance.

We hope that the Committee finds the revised Code a useful reference document that provides sufficient assurance on the arrangements we have in place to govern the relationship. If anything is unclear or if you have any questions that will ease its path through the approval process, please do let us know.

Yours sincerely



Adrian Crompton
Auditor General for Wales



Isobel Everett
Chair, Wales Audit Office

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Code of Relationship Practice between the Auditor General for Wales and the Wales Audit Office



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

This Code of Practice has been jointly prepared by the Auditor General for Wales and the Wales Audit Office under paragraph 1 of Schedule 2 the Public Audit (Wales) Act 2013.

It is laid by the Auditor General and the Chair of the Wales Audit Office before the National Assembly for Wales under the same provision.

This document is also available in Welsh.

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Purpose

- 1 As required by paragraph 1 of Schedule 2 to the Public Audit (Wales) Act 2013 ('the Act'), this Code of Practice ('Code') deals with the relationship between the Wales Audit Office and the Auditor General for Wales. The Code is subject to approval by the National Assembly for Wales. Once approved, the Wales Audit Office and the Auditor General must comply with its provisions.
- 2 The Act creates a complex relationship between the Wales Audit Office and the Auditor General. This Code is designed to ensure that the Wales Audit Office:
 - observes, protects and defends the Auditor General's statutory audit independence; and
 - provides the organisation with the high standards of governance that the Welsh public sector and the people of Wales are entitled to expect.

Governance framework

- 3 Under the Act, the office of Auditor General is a corporation sole. The office holder is personally responsible for audit and inspection functions in respect of a wide range of public bodies. The Auditor General has complete discretion as to how he exercises those functions, subject to adhering to best professional practice, having regard to advice given by the Wales Audit Office and operating efficiently and cost-effectively.
- 4 Under the Act the Wales Audit Office:
 - (a) must monitor the exercise of the Auditor General's functions;
 - (b) may provide advice to the Auditor General about those functions;
 - (c) must ensure the provision of resources required for the exercise of those functions and that the operational independence of the office of Auditor General is preserved;
 - (d) exercises specific functions, jointly with the Auditor General or in its own right.
- 5 The Auditor General is a member of the Wales Audit Office as well as its Chief Executive and Accounting Officer. Therefore, the Auditor General's role is complex; he is responsible for:
 - his own audit and inspection functions; and
 - as a member of the Board, for providing the resources to undertake those functions and to advise on and monitor his activities.

The Auditor General's independence

- 6 The principle of audit independence is well-established in legislation and in the standards of conduct set by professional accountancy bodies.
- 7 Section 8 of the Act sets out that the Auditor General has complete discretion as to the manner in which he exercises the functions of that office and that he is not subject to the direction or control of the National Assembly or the Welsh Government.
- 8 The Wales Audit Office will not do anything to undermine the Auditor General's actual or perceived independence and objectivity.

Principles governing the relationship between the Auditor General and the Wales Audit Office

- 9 The Auditor General and the other members of the Wales Audit Office adhere to the following principles in their dealings with one another:
- (a) working together in the common aim of running an effective public audit organisation;
 - (b) protecting the audit independence of the Auditor General;
 - (c) ensuring adherence to ethical and professional auditing standards;
 - (d) operating and demonstrating high standards of corporate governance;
 - (e) recognising and respecting the particular roles of the members, including not seeking to operate beyond their respective functions set out in statute (or properly incidental to those functions);
 - (f) working in an open and constructive manner, providing mutual respect; and
 - (g) keeping one another informed of significant developments in the operation of the organisation and the environment in which it works.

Requirement to comply with the Wales Audit Office Code of Conduct for Board members

- 10 The Code of Conduct sets standards for the conduct of Board members. It reinforces the core values that underpin the Wales Audit Office's work and is a reference point for decisions and courses of action in carrying out the statutory and professional responsibilities of the Board.
- 11 Board members are required to comply with the Code of Conduct and to confirm that they have done so annually. Each year they also review and update their registers of interest identifying any potential conflicts, including those that might carry risks to the Auditor General's independence.

Roles and responsibilities

- 12 Appendix 1 summarises the main roles of the Auditor General and the Wales Audit Office.

Processes for undertaking particular functions

Monitoring and advising on the exercise of the Auditor General's functions (section 17 of the Act)

- 13 The Wales Audit Office may advise the Auditor General and must monitor the exercise of his functions. The Auditor General must have regard to any advice given.
- 14 The nature and scope of the Wales Audit Office's activities under this provision must not risk compromising the Auditor General's independence. It does not seek to direct individual components of his work programme but needs sufficient information to ensure that he has the necessary staff and other resources to fulfil his functions efficiently and effectively.
- 15 The formal processes are as follows.
 - (a) In jointly preparing the annual plan, the Wales Audit Office has an opportunity to understand the nature and scope of the Auditor General's work programme and the financial and other resources required to deliver it (which it needs to provide).
 - (b) Alongside the annual plan, the Wales Audit Office reviews its workforce strategy which governs more detailed plans for recruiting, retaining and deploying staff and for their learning and development.
 - (c) During the year, the Wales Audit Office receives regular reports that allow it to scrutinise and monitor:
 - i outturn against the approved budgets;
 - ii progress against the key performance indicators and ambitions set out in the annual plan; and
 - iii the management of strategic risks to delivering against the aim, objectives, ambitions and targets in the annual plan.
 - (d) Periodically, the Wales Audit Office receives reports of the arrangements in place for monitoring and assuring the quality of the Auditor General's work and their effectiveness.
 - (e) The Auditor General provides timely updates on any matters that do or may have a significant effect on the proper exercise of his or the Wales Audit Office's statutory functions.
 - (f) In the event that the Auditor General requires more resources to deliver his work programme than was estimated in preparing the annual plan, he puts forward proposals for funding the work.
- 16 This information allows the Wales Audit Office to explore and challenge the efficiency and effectiveness of the exercise of the Auditor General's functions and the management of the organisation overall.
- 17 The Chair and the Auditor General recognise that trust, communication, mutual understanding and flexible co-working across the boundaries of their complex roles in informal settings are important. This recognition enables them to clearly and robustly hold their respective roles on the Board, within the organisation and with external stakeholders in a coherent and joined-up way.

- 18 The Chair and the Auditor General liaise regularly on a one-to-one basis to develop and maintain their working relationship. These discussions allow them to:
- update each other on current issues, including any emerging concerns that might lead to increasing or new strategic risks;
 - discuss matters that might be coming forward for the Board's consideration, thus helping to shape and manage its forward work programme;
 - develop a mutual understanding of how the functions of the Auditor General and the Wales Audit Office are delivered;
 - provide advice and mutual support as well as challenging each other constructively within safe boundaries.
- 19 These arrangements are designed to ensure that the Auditor General and the Wales Audit Office operate in an environment of "no surprises" such that they can collectively drive the delivery of an efficient and effective public audit service for Wales.

Delegation and joint exercise of the functions of the Auditor General (section 18 of the Act)

- 20 Section 18 of the Act provides for the Auditor General to delegate his statutory functions to an employee of the Wales Audit Office, a person who provides services to the Wales Audit Office, or such persons acting jointly.
- 21 The Act requires such delegations to be set out in a scheme of delegation on which the Auditor General consults the Wales Audit Office.

Provision of services (section 19 of the Act)

- 22 Under Section 19, the Wales Audit Office may arrange:
- to receive administrative, professional or technical services that it or the Auditor General may need;
 - to provide administrative, professional or technical services to public authorities.
- 23 Before making such arrangements, the Wales Audit Office must consult the Auditor General.
- 24 The Wales Audit Office must also consult the Auditor General before making any arrangements for any public authority, registered auditor or approved accountancy body to co-operate with or give assistance to the Auditor General.
- 25 The Auditor General may decline any agreement work if he considers that the likely available resource is insufficient.

Annual estimate of income and expenses (section 20 of the Act)

- 26 The annual estimate of income and expenses provides for the resources required to cover the capital and revenue expenditure (including non-cash costs) incurred by the Wales Audit Office. It will include funding for the Auditor General's work programme.

- 27 For each financial year, the Auditor General estimates the resources required to deliver his work programme. The funds required are a first charge on the resources allocated to the Wales Audit Office which cannot amend that part of the estimate without the Auditor General's agreement.
- 28 The Wales Audit Office and the Auditor General jointly lay the estimate before the National Assembly at least five months before the beginning of the financial year to which it relates. They give evidence on the joint estimate at any hearing that the responsible committee may hold on it.
- 29 The responsible committee consults the Auditor General and the Wales Audit Office before making any modifications to the joint estimate which is incorporated into the Annual Budget Motion.

The fee scheme (sections 23 and 24 of the Act)

- 30 The Wales Audit Office charges fees for certain audit work carried out by or on behalf of the Auditor General and for services that it provides under Section 19 of the Act. Fees are charged only in accordance with a scheme prepared under Section 24 of the Act. The Wales Audit Office reviews the scheme at least once a year.
- 31 As part of the process for preparing the joint estimate of income and expenses with the Auditor General, the Wales Audit Office considers the arrangements for setting fee rates which provide a framework for actual fees charged to individual audit bodies (and therefore are relevant to an assessment of the overall resource requirement).
- 32 The Wales Audit Office consults publicly on its proposed fee scales for all areas of audit work. The outcome of the consultation informs the fee scheme and the resource requirement in the joint estimate of income and expenses.
- 33 The Wales Audit Office lays the fee scheme, and any revisions to it before the National Assembly. The Auditor General and the Chair of the Wales Audit Office give evidence at any hearing that the responsible committee holds on the fee scheme before deciding whether to approve it¹.

The Annual Plan (sections 25 to 27 of the Act)

- 34 Section 25 of the Act requires the Auditor General and the Wales Audit Office to jointly prepare an annual plan before the beginning of the financial year to which it relates. Such plans must set out:
 - the Auditor General's and the Wales Audit Office's work programmes (i.e. their ambitions for the year);
 - the resources available, and which may become available, to the Wales Audit Office; and
 - how those resources will be used to deliver the work programmes.

¹ The responsible committee's approval is not required if the only revision is to incorporate a scale of fees prescribed by the Welsh Ministers (section 24(5) and (6) of the Act refers)

- 35 In addition, the Auditor General and the Wales Audit Office have agreed that the annual plan will include their longer-term vision and ambitions for a three-year period.
- 36 Each year, Wales Audit Office staff prepare a draft of the annual plan under the direction of the Auditor General and Chief Executive. The Wales Audit Office scrutinises the plan which helps to inform its understanding of the nature and scope of the Auditor General's work programme and which forms the basis of its monitoring activities under section 17 of the Act. Subject to clarifying any issues or concerns with each other's work programmes, the Wales Audit Office and the Auditor General jointly finalise the plan.
- 37 The Chair of the Wales Audit Office and the Auditor General lay the plan jointly before the National Assembly and give evidence at any hearing of the responsible committee. There is no statutory deadline for laying the plan but the Auditor General and the Wales Audit Office endeavour to do so before the start of the financial year to which the plan relates.
- 38 The Auditor General and the Wales Audit Office are not bound by the annual plan but must have regard to it in the exercise of their functions.

Wales Audit Office accounts and audit (paragraphs 33 to 35 of Schedule 1 to the Act)

- 39 The Auditor General is the Accounting Officer for the Wales Audit Office and is responsible for the preparation of the annual accounts, the keeping of proper financial records and other responsibilities specified by the responsible committee of the National Assembly².
- 40 The Chair is responsible for submitting the accounts to the external auditor appointed by the National Assembly.
- 41 The Board considers the annual accounts prepared by the Auditor General, taking account of the view of the Audit and Risk Assurance Committee. The Board recommends to the Auditor General whether he should sign the accounts.
- 42 The Auditor General gives evidence at any hearing that the responsible committee may hold in relation to the Wales Audit Office's accounts or any report laid before the National Assembly by the Wales Audit Office's external auditor.

Annual and interim reports (paragraph 3 of Schedule 2 to the Act)

- 43 The annual and interim reports cover the exercise of functions in relation to the ambitions and programmes described in the annual plan.
- 44 Staff of the Wales Audit Office draft the reports under the direction of the Auditor General and Chief Executive. The Auditor General and the Chair jointly prepare the reports after seeking the Board's views and making any modifications they consider appropriate.

² Additional responsibilities are normally established in the Accounting Officer memorandum

- 45 The Chair of the Wales Audit Office and the Auditor General lay the reports jointly before the National Assembly and give evidence at any hearing that the responsible committee may hold on them.
- 46 For reasons of efficiency and effectiveness and to present a comprehensive picture of performance across the year, the annual report required by paragraph 3 of Schedule 2 to the Act is prepared with the annual report and accounts required by paragraph 33 of Schedule 1 to the Act and laid as a single document for consideration by the responsible committee.

Maintaining standards of corporate governance

- 47 As the Accounting Officer of the Wales Audit Office the Auditor General is accountable for the stewardship of resources. His responsibilities are detailed in paragraph 33 of Schedule 1 to the Act and as set out by the Assembly's relevant committee, usually in the Memorandum for the Accounting Officer of the Wales Audit Office.
- 48 The Accounting Officer must ensure that the Wales Audit Office operates to a high standard of probity. This includes having in place:
- a governance structure which transmits, delegates, implements and enforces decisions;
 - robust internal controls to safeguard, channel and record resources as intended;
 - arrangements to give timely, transparent and realistic accounts of the business and decisions.
- 49 The Wales Audit Office monitors the governance arrangements and internal control systems to ensure that they are operating effectively. It is supported in that role by two committees, for audit and risk assurance and for remuneration and HR, both of which operate in an advisory capacity.
- 50 In constructing its corporate governance framework, the Wales Audit Office takes into account good practice. On a voluntary basis, it completes a self-assessment against the Code of Good Practice for corporate governance in central government departments insofar as it is applicable.
- 51 The Chair and the Auditor General report on these arrangements in the annual report and accounts. The Wales Audit Office, with the Auditor General taking the lead in his role as Accounting Officer seeks to identify and manage risks effectively, and conducts its business in an economic, efficient and effective way.

Publicity and public comment

- 52 Publicity and comment on the work of the Auditor General and of the Wales Audit Office are integral incidental aspects of their respective public reporting functions. Those functions are quite distinct and it is important to be clear about who may comment publicly in relation to them.
- 53 The Chair and other non-executive members of the Wales Audit Office may not comment about questions of audit opinion and judgement, including the selection and design of value for money examinations and studies, which are matters for the Auditor General.

- 54 The Chair and other non-executive members of the Wales Audit Office may, with the Chair's approval, comment publicly on other (i.e. non-audit) aspects of the work of the Wales Audit Office in general terms and on the governance of the organisation.
- 55 The Auditor General consults the Chair on any public comment that he plans to make in his capacity as Chief Executive of the Wales Audit Office or where such comment concerns matters (including audit-related matters) that could affect the reputation of the Wales Audit Office.

Conflict resolution

- 56 In the event of a disagreement between the Auditor General and the Chair of the Wales Audit Office, the matter in dispute is referred to the members in a Board meeting for resolution save for matters relating to the Auditor General's statutory audit and inspection functions (where the Auditor General makes a final decision).
- 57 In some circumstances, it may be appropriate for the Wales Audit Office's Senior Independent Director to act as mediator in disagreements between the Auditor General and the Chair of the Wales Audit Office.

Appendix 1

Overview of the responsibilities of the Auditor General and the Wales Audit Office

Board member	Main responsibilities
All members	<p>Exercise collectively the statutory functions of the Wales Audit Office including:</p> <ul style="list-style-type: none">• making rules for the purpose of regulating its own procedures;• delegating Wales Audit Office functions where permitted;• making a recommendation to the National Assembly regarding the appointment of an external auditor to the Wales Audit Office;• preparing, for the National Assembly's approval, a scheme relating to the charging of fees by the Wales Audit Office; and for reviewing (and if necessary revising) that scheme at least once a year;• designating (with the agreement of the National Assembly) a person to exercise the functions of the Auditor General on a temporary basis if the office is vacant or the incumbent Auditor General is unwilling or unable to discharge his/her functions;• making arrangements under Section 19 of the 2013 Act to provide or receive administrative, professional or technical services subject to consultation with the Auditor General when required;• making provision for any additional payments to be made to the Auditor General to cover expenses properly and necessarily incurred by him/her in the capacity as a Board Member and Chief Executive;• providing resources for the exercise of the Auditor General's functions as the Auditor General requires;• employing staff to assist in the exercise of the Auditor General's functions;• procuring services for the purposes of the Auditor General's functions;• holding documents or information acquired in the course of, or otherwise, for the purposes of the Auditor General's functions; and• keeping records in relation to the Auditor General's functions. <p>Aiming to carry out all functions efficiently and cost-effectively.</p> <p>Exercise functions jointly with the Auditor General as follows:</p>

Board member	Main responsibilities
	<ul style="list-style-type: none"> • preparing and laying the annual estimate of the Wales Audit Office's income and expenses, which must cover the resources required by the Auditor General for the exercise of their functions; • preparing an annual plan; • preparing a Code of Practice dealing with the relationship between the Wales Audit Office and the Auditor General; • complying with the Code of Practice approved by the Assembly. <p>Exercise the implied responsibilities of a board by providing collective leadership in a manner that is compatible with the Auditor General's functions, including duties as Accounting Officer. In particular, the Board:</p> <ul style="list-style-type: none"> • sets and drives the Wales Audit Office's strategic direction taking into account the Auditor General's plans and ambitions; • sets the Wales Audit Office's values and behaviours; • as part of preparing the annual plan, advises on the allocation of financial and human resources to achieve the aim and objectives; • oversees the management of the Wales Audit Office's resources and monitors progress against performance measures and ambitions; • satisfies itself that it is supplied in a timely manner with information in a form and of a quality that enables it to discharge its responsibilities effectively • ensures that, in his capacity as Accounting Officer, the Auditor General maintains strong and transparent systems of governance, risk management and internal control consistent with good practice, reporting on the effectiveness of the arrangements in the annual report and accounts; • advises on, and oversees change processes, encouraging innovation to enhance the Wales Audit Office's capacity to delivery; • has due regard to succession planning and satisfies itself that plans are in place to maintain an appropriate balance of skills and experience on the Board, its committees and within the organisation; • authorise the use of the Corporate Seal.
All members except the Auditor General	<p>Monitor, and advise on, the exercise of the Auditor General's functions.</p> <p>Jointly preparing with the Auditor General the joint estimate of income and expenses, the annual plan and the Relationship Code.</p>
All non-executive	Appointing (if thought fit) the employee member nominated

Board member	Main responsibilities
members	<p>by the Auditor General.</p> <p>Appointing and setting terms for the two employee members elected in accordance with the result of a ballot of employees.</p> <p>Determining the terms of appointment for the employee members.</p> <p>Considering whether to terminate the appointment of an employee member if one of the conditions specified in paragraph 21 of Schedule 1 to the Act occurs</p>
Chair	<p>Exercising the implied functions of the Chair including:</p> <ul style="list-style-type: none"> • leading the proceedings of the Board, including ensuring all members are given the opportunity to contribute to balanced and appropriate discussion of issues; • overseeing board effectiveness at the individual and collective level, including by securing external, independent input when appropriate; • supporting and advising the Chief Executive and other senior executives as appropriate, respecting the boundaries between the Board's role and that of the management team; • acting as the spokesperson for the Wales Audit Office; • as required by the National Assembly, participating in the appointment of non-executive members and the Auditor General. <p>Submitting to the auditor of the Wales Audit Office the accounts prepared by the Auditor General in his capacity as Accounting Officer.</p> <p>Jointly with the Auditor General:</p> <ul style="list-style-type: none"> • laying before the National Assembly the annual plan; • laying the Code of Practice dealing with the relationship between the Wales Audit Office and the Auditor General; • preparing and laying, as soon as practicable after the end of each financial year, an annual report on the exercise of the functions of the Auditor General and the Wales Audit Office during the year in relation to the annual plan; • preparing and laying, at least once during each financial year, an interim report on the exercise of the functions of the Auditor General and the Wales Audit Office in relation to progress against the annual plan.
Auditor General	<p>Exercising the range of audit etc functions under the Government of Wales Acts 1998 and 2006, the Public Audit (Wales) Acts 2004 and 2013, the Local Government (Wales) Measure 2009, the Well-being of Future Generations (Wales) Act 2015 and various other enactments.</p> <p>Exercising discretion as to the manner in which functions are exercised subject to:</p>

Board member	Main responsibilities
	<ul style="list-style-type: none"> • aiming to carry out those functions efficiently and cost-effectively; • having regard to the standards and principles that an expert professional provider of accounting or auditing services would be expected to follow; and • having regard to advice given by the Wales Audit Office. <p>Issuing a Code of Audit Practice prescribing the way in which certain functions are to be carried out.</p> <p>Preparing, and consulting the Wales Audit Office on, a scheme of delegation of functions.</p> <p>Exercising implied (and delegated) Chief Executive functions.</p> <p>Exercising Accounting Officer functions.</p> <p>Recommending a person to be the appointed member of the Wales Audit Office.</p>
Appointed Employee Member	As all members.
Elected Employee Member	As all members.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru