



WALES AUDIT OFFICE

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Page: 1 of 3

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Mr Darren Millar AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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Dear Darren,

PUBLIC AUDIT (WALES) BILL: COMPOSITION OF THE WAO BOARD

I have seen that Mohammad Asghar AM has tabled a new amendment (number 46) and withdrawn amendment 39 so that two employee members will be elected and only one nominated by the Auditor General. Having reflected on this, I feel that I owe it to my office as AGW to put on public record that I do not think that having two elected employee members would be a development conducive to the good governance and smooth running of the WAO.

The reasons for my concerns at having two elected employee members are as follows:

- i. It leaves the Board very light in terms of senior managers responsible for implementing decisions.
- ii. As there are two trade unions with substantial memberships in the WAO, it may create a situation where, by default, each elected member effectively represents a particular union. This might well lead to dissatisfaction amongst WAO staff who are not a members of one of the two main unions. They may feel that their interests are not represented, and this may lead to pressure for a third member to be elected.
- iii. Whilst such an arrangement should be workable in the case of a supervisory board, the Bill creates an executive board (ie a board to run the organisation). I am not aware of another UK body with a board that runs the organisation that has as many members specifically intended to present the staff experience as it has as senior management members. Such a composition is novel, and the dynamics (including managing conflicts of interest) may well be problematic, particularly as the staff experience members are to have exactly the same full range of executive functions as all of the other board members, including collective responsibility for all board decisions. Whilst it might be sensible to explore such an arrangement on a pilot basis through co-option, introducing it untested through primary legislation does not seem to be an example of well-managed risk-taking.

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- iv. I appreciate that the specific procedures supporting the appointment of the elected employee members will be a matter for the WAO Board. However I do not see how the rules could address the problem of insufficient senior management representation without the rules themselves becoming a source of dispute and challenge.

In this context, I think it is particularly helpful to consider again both the evidence from my Trade Unions and that of the Comptroller & Auditor General on the subject of board composition, as both sets of evidence make clear that there are significant drawbacks to staff (as opposed to management) representation on a board that has executive responsibility for running the organisation:

Extract from transcript of session of 16 October 2012 —

[142] **Mr Robertson:** ...Our view is that an employee representative would be best placed on a supervisory or advisory board, acting in that capacity. There might be problems on an executive board if an employee representative were called upon to make decisions in its capacity as an employer. That might compromise their role as a staff representative, so it is probably best avoided. If they were an observer on an executive committee, that would be fine, but we would have reservations about their being a full member of an executive board. If there is to be an executive board, there need to be senior managers on that board who are able to bring management knowledge and experience to the decision-making functions.

Extract from transcript of session of 16 October 2012 —

[152] **Julie James:** ... Evidence has also been put forward by a witness stating that the employee member should be chosen by the workforce. What are your views on that?

[153] **Mr Morse:** It depends on what you think the board is for. If someone is chosen by the workforce, that is another randomising factor because do they speak for management or not? No, they do not, really. If you have a lot of access to the workforce, you do not necessarily have to have a workforce representative on the board. You can do it, but it is just a different way of looking at it. For me, the advantage of having a reasonable number of people who are leading the organisation available and talking to their own brief, so to speak, is that you get a pretty good assessment, as a non-exec, of how they are running the organisation. You can then reach down into the organisation and check whether what they are telling you at the board table fits with what you find when you talk to other people. So, I think that that works and that it is a reasonable model.

[154] The problem with having an employee on the board is the question of who are they speaking for? Are they speaking about employment conditions? If so, you would get something from them. However, you could equally do that by inviting someone to do it occasionally, rather than have them sitting through every board meeting, because I suspect that you are not going to be talking about that every time. To be absolutely honest, it sounds a little clunky to me, in getting good, continuous debate. However, I understand that the intention is good, but I probably would not make that a permanent feature, personally.

[155] **Julie Morgan:** So you are not against it, but you are doubtful of it.

[156] **Mr Morse:** It would not be what I would do, no. I would not have a permanent employee on the board. You are making it a lot more difficult to understand what the management is thinking and where it is trying to take the organisation if, all the time, this is now becoming a way of discussing with employees. Hopefully, the management should have other ways of doing that, so I am not sure that the board needs to be the way of doing it.

Can I stress that, as I have previously indicated in my evidence to the Committee, I am not opposed to having an elected employee member of the Board. I do see that there is merit in bringing staff perspective to the Board. But that objective is met by having one elected employee member, and there seems to be no additional objective that is met by having a second such member.

In conclusion, whilst not ideal, because it does not increase senior management input, I consider that the Government amendment providing for a board with one employee elected and one nominated by the Auditor General, would be preferable to the two-elected member proposition, albeit not as good a model as a board with one employee elected and two senior managers nominated by the Auditor General

I am, of course, happy to discuss further.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES