



National Audit Office

Board Minutes of Meeting held on 17 June 2022

Meeting held at NAO's offices in Newcastle - 4th Floor, St Nicholas Building, Newcastle Upon Tyne & Via MS Teams

Members		
Dame Fiona Reynolds	FR	Chair
Sir Martin Donnelly	MD	Non-Executive Member
Janet Eilbeck	JE	Non-Executive Member
Gaenor Bagley	GB	Non-Executive Member
Dame Clare Tickell	CT	Non-Executive Member
Gareth Davies	GD	Comptroller & Auditor General
Daniel Lambauer	DL	Executive Director responsible for Strategy and Resources
Kate Mathers	KM	Executive Director responsible for Financial Audit Service Line
Max Tse	MT	Executive Director response for Knowledge
Attendees		
Abdool Kara	AK	Executive Director responsible for People
Elaine Lewis	EL	Executive Director responsible for Financial Audit Quality
Rebecca Sheeran	RS	Executive Director responsible for VFM service line
Jonathan Bayliss	JB	Senior Analyst, Corporate Strategy and Advice Team (item 3)
Katie Clifford	KC	Head of HR Policy and Services (item 4)
Adrian Jenner	AJ	Director, Parliamentary Relations (item 2)
John McCann	JMcC	Director HR (items 4 & 5))
Laura McIntyre-Brown	LMB	Senior Analyst, Lead of Annual Report and Accounts (item 4)
Nigel Terrington	NT	Director Strategy (items 3 & 4)
Helene Morpeth	HM	Head of Governance and Risk

Welcome and Chair's opening remarks

Welcome

- 1.1 Dame Fiona Reynolds, NAO Chair, welcomed members and attendees to the meeting. She reported that the Board was delighted to resume the practice of holding one of its yearly meetings in the Newcastle office following a two year break due to lockdown restrictions.
- 1.2 The Board was pleased to note that the June agenda was structured differently to give more time for strategic discussion. The Chair mentioned this would be a feature of future agendas in line with the action plan agreed by the Board following the external Board evaluation.

Apologies for absence

- 1.3 There were no apologies for absence.

Declaration of Interests

- 1.4 Janet Eilbeck reported that in addition to her role as Board member and Chair of two Committees at the West Kent Housing Association, she has been appointed Vice Chair and Senior Independent Director. There were no other additions or changes to Board members' register of interests.

Regular Items

Approval of Minutes

- 2.1 The Board approved the minutes of the meeting held on 24 March 2022 as an accurate record, including the publication of the minutes on the external website.

Matters arising

- 2.2 The Board noted that there were no matters arising.

Action Log

- 2.3 Helene Morpeth reported that there were 11 actions on the Board action log: seven were complete; two were in hand for completion by their respective due dates and two actions had been superseded by the findings and agreed next steps following the external evaluation of the Board. The Board agreed the deletion of the completed actions from the log.

Comptroller and Auditor General (C&AG) Update

- 2.4 The C&AG provided his update since the last meeting of the Board. He summarised key activities under the following headings:

Engagement with external stakeholders

- Two members of the Public Accounts Commission (the Chair plus a member) had recently visited the Newcastle office where they had met different groups of staff to discuss a wide range of topics including people issues, the DHSC audit, the Audit Transformation Programme, their experience of working in Newcastle and the impact of the pandemic on operations and health and wellbeing. He added that the visit had provided a good opportunity for Newcastle colleagues to hear directly from the Commission, on behalf of Parliament, how highly their work is regarded.
- The Committee of Public Accounts (PAC) has held 13 evidence sessions since the last Board of which four have been related to Covid with other topics including the Ajax armoured vehicles report and the Restoration and Renewal of Parliament. In addition, with other NAO colleagues, the C&AG reported that he has provided evidence to the House of Lords

Communications and Digital Committee in support of its inquiry into the future funding of the BBC. The NAO's view that the BBC can still make further efficiency improvements was widely reported.

- The round of annual review meetings with Accounting Officers has been completed at which the C&AG has discussed, amongst other things, emerging findings from NAO's studies.

Staff engagement

- The bi-annual NAO Together event at the end of April provided the opportunity to share with staff the office's priorities for year three of the NAO's organisational development plan. The C&AG thanked Fiona Reynolds and Gaenor Bagley for their participation in the event.
- The office is reaching the busiest time of the year with the start of the annual financial certification period leading up to the Parliamentary summer recess.

External engagement

- The office has hosted a productive knowledge sharing meeting on Data Analytics with a small number of Supreme Audit Offices with leading expertise and capabilities in this area.

- 2.5 The C&AC concluded his update with some reflections on the external risk landscape for public audit. This provided the backdrop for the wider strategic discussion on the NAO's impact.

Parliamentary Update

- 2.6 Adrian Jenner provided a verbal summary of recent Parliamentary activity. He updated the Board on changes in membership to the Committee of Public Accounts and reported on the recent briefings provided by the NAO to select committees. He also reported that the NAO has secured permission from the House of Commons to host a promotional stand in Parliament in July which will provide an excellent opportunity for the office to explain how it can assist Parliament in holding the government to account.

Strategic Discussion

How the NAO achieves and measures impact

- 3.1 The Board engaged in a wide-ranging strategic discussion on the topic of "How the NAO achieves and measures impact". Members and attendees contributed their views highlighting different aspects and perspectives on the following questions:
- How does the NAO achieve impact?
 - What difference is the NAO making?
 - How do we measure the NAO's impact?
 - Should the NAO offer solutions to the problems of delivery?
 - How do we ensure we follow up on the recommendations from our work?
- 3.2 In summing up, the Chair commented that the NAO has a key role to play in the system of public accountability set up by Gladstone. This in turn provides the NAO with its unique platform to achieve impact, focusing, amongst other things, on the important value of audit and evaluation as vehicles and processes for shining light on good as well as bad practice, to ensure lessons are learned and better outcomes achieved.
- 3.3 The Chair thanked members and attendees for their constructive insights and challenges. It was agreed that the next topic for strategic discussion should be on what the NAO should do to prepare for the next Parliament.

Substantial approvals

2021-22 Annual Report and Accounts

- 4.1 The Chair thanked the Audit and Risk Assurance Committee for their thorough review of the draft 2021-22 Annual Report and Accounts at their meeting in May. She also thanked members for their comments on the report, received via correspondence, in advance of the Board meeting.
- 4.2 The Board reviewed the Annual Report and Accounts and welcomed the innovations introduced this year in particular to the Accountability Report. They commented that having photos and updates from the Chair of the Board; the Chairs of the Board Committees and, separately, the Audit Quality Board, introduced a welcome new dynamic to the report. It also helped illustrate the respective roles and responsibilities of the Non-Executive members in discharging the governance responsibilities of the Board.
- 4.3 The Board approved the 2021-22 Annual Report and Accounts for submission to the Public Accounts Commission.

New Pay Framework

- 4.4 John McCann and Katie Clifford provided an update on the principles and detailed proposals for the proposed new pay framework following feedback received from the Remuneration and Nominations Committee and the Board on the earlier iterations of the review. They set out the key components of the review which included proposals on pay ranges; pay progression; grade structures for the financial audit and value for money practices; approach to specialist posts; and additional elements covering for example regional pay differentials.
- 4.5 The Board confirmed its support for the overall objective of the review; its underpinning principles and it endorsed the general direction of travel to-date. However the Non-Executive members expressed reservations about some elements of the proposed new grade structures. It was agreed a further discussion on this element should take place outside the meeting ahead of submission of the near final proposals for Board approval at its meeting in July.

Action: Helene Morpeth to arrange a follow up meeting with relevant Board members and attendees to discuss the proposed new grade structure and associated matters.

Agenda items requiring the Board's formal approval by exception

2021-22 Corporate reports

Diversity & Inclusion (D&I) Annual Report

- 5.1 The Board received the draft 2021-22 D&I annual report. John McCann reported that the report reflected comments received by the Board following their initial review of the structure and high-level messages at the March meeting. He reported that since circulation of the report to the Board there have been a small number of corrections to data in some of the graphics. He invited comments on the proposal to include the diversity dashboard which presents data not normally in the public domain, for example breakdown of appraisal grades by gender and percentage of excess hours.
- 5.2 The Board welcomed the inclusion of the diversity dashboard in the report from a transparency perspective and also as a way of ensuring the office remains ~~focused~~ focused on the longer-term targets in the D&I strategy. The Board suggested that ~~there should be inclusion of a target figure against the percentage of directors from an ethnic minority background should be included~~ to provide additional helpful context for the reader. The Board approved the 2021-22 Diversity Report for publication on the NAO's external website.

Transparency report

- 5.3 The Board noted it would receive the 2021-22 Transparency Report for approval, via correspondence, following the review of the report by the Audit Quality Board on 23 June 2022.

2021-22 Modern Slavery Statement

- 5.4 The Board received the NAO's 2021-22 Modern Slavery Statement noting it had been approved by the C&AG, ahead of submission to the Board, and signed by Daniel Lambauer as the accountable executive with delegated appropriate seniority. The Board approved the Statement including its publication on the NAO's external website.

Agenda items for the Board to note / for the Board's Information

2021-22 Annual assurance and governance reports

- 6.1 The Board received the annual assurance reports from the Audit and Risk Assurance Committee (ARAC), the Remuneration and Nominations Committee (RemCo) and from the Director of Internal Audit and Assurance. The Board noted that taken together these three reports pulled together internal assurances from across the NAO's business in addition to external assurances. Collectively they are intended to inform the Board's review, and approval, of the Annual Report and Accounts. Peter Wood, Director of Internal Audit and Assurance, reported that his conclusion for the reporting year was that NAO has adequate and effective governance, risk and control arrangements. The Board welcomed the listing of the external assurances received during the year included in the ARAC annual report.
- 6.2 The Board received the 2021-22 Health and Safety Committee Annual Report noting the increase in occupational health referrals and sickness absence compared to the prior year. The Board reflected on whether this indicated a certain loss in health resilience following the pandemic from which the NAO was not immune. Daniel Lambauer reported that the Health and Safety Committee is monitoring the situation carefully in particular in light of the added factor of the cost-of-living situation which may further impact negatively on people's stress and wellbeing. Daniel Lambauer added that some of the stress related issues were not work related. The C&AG reported plans were afoot for the office to re-group around the new ways of working principles in the autumn; this would help establish a new 'normal' which would help address some of the issues raised by the health and safety report, including the Board's discussion on issues arising.
- 6.3 The Board received the Sustainable office Group Annual Report for 2021-2022. Daniel Lambauer reported that calculating scope 3 emissions remained tricky given the lack of regulation and standardisation for calculating different areas of operational carbon.

Performance and risk reporting

- 6.4 The Board received the new style one page performance and risk reports to 30 April 2022. Janet Eilbeck reported that some of the KPIs relating to Financial Audit Quality would be discussed in detail at the forthcoming meeting of the Audit Quality Board. Fiona Reynolds welcomed the change in rating on the Audit Transformation Programme (ATP) from amber/red to amber and suggested an update on progress should be discussed at the Board's meeting in July.

Action: Helene Morpeth to add a discussion on the ATP at the Board's July meeting.

- 6.5 Gaenor Bagley reported that the ARAC considered the full risk register at its meeting in May and that in the year ahead the Committee will continue to focus on the controls and mitigating actions taken in respect of the NAO's most significant risks.

Committee minutes

- 6.6 The Board noted the draft minutes of the ARAC meeting held on 26 May 2022.

Conclusion

Feedback on meeting

- 7.1 The Board were very positive about the new style agenda which had allowed for a constructive discussion on how the NAO achieves impact. The Chair thanked members and attendees for

their contributions, in particular their approach to the discussion wearing different “hats” which she suggested the Board should build on in the series of forthcoming strategic discussions. The Chair commented that the outcome of today’s discussion would help shape and inform the Board’s strategy day in September.

Date and time of next meeting

- 7.2 The Board noted that the next meeting will take place on Tuesday 26th July 2022 at the NAO’s offices in London.