

The Board
17 March 2016

Minute of March Board Meeting

Present

Members

Michael Bichard	MB	Chair - Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Joanne Shaw	JS	Non-executive Member
Ray Shostak	RS	Non-executive Member
Robert Sykes	RSy	Non-executive Member
Stephen Smith	SS	Executive Leader (observer)
John Thorpe	JT	Executive Leader
Michael Whitehouse	MW	Chief Operating Officer

Apologies

Sue Higgins	SHi	Executive Leader (observer)
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Attendees

Hafsa Khan	HK	Board Secretary
David Aldous	DA	Director, Local Government
Mark Allen	MA	Head of Legal, Policy and Governance
James Gourlay	JG	Audit Manager, Strategy and Performance
Matthew Hemsley	MH	Audit Principal, Strategy and Performance
Sally Howes	SHo	Executive Leader (observer)
Daniel Lambauer	DL	Director, VFM Practice and Quality
Adrian Jenner	AJ	Director Parliamentary Relations
Tim Valentine	TV	Financial Controller
Angus Waugh	AW	Digital Services

The Minutes record the business of the Board in Agenda order.

Item 1

Good Governance: Minutes, Matters Arising and the C&AG's report

Appointment of executive members

- 1.1 The C&AG proposed that, following a discussion with the Remuneration and Nominations Committee, John Thorpe (JT) and Stephen Smith (SS) will sit on the Board as executive members along with Michael Whitehouse (MW), for the year. The Board approved this recommendation which would take effect from March 2015. The Board agreed that members of the Leadership Team who were not executive members of the Board, Sally Howes (SHo) and Sue Higgins (SHi), will remain as attendee's.

Welcome & apologies for absence

- 1.2 Michael Bichard (MB) welcomed members to the meeting. He noted that apologies had been received from Sue Higgins. SHi has been in regular contact with members to update them of her condition. Members wished SHi a speedy recovery.

Declarations of interest

- 1.2 There were none.

Minutes of meetings

- 1.3 The Board approved the minutes of the meeting held on 28 January 2016.

Action points

- 1.4 The Board noted the progress on the actions arising from previous meetings, and agreed the deletion of those marked as complete.

Matters arising

- 1.5 There were none.

C&AG's update and Parliamentary Update

- 1.7 The C&AG informed the Board that TPAC went well. The C&AG noted that he had attended more departmental board meetings extending the NAO and its work to a much wider range of senior stakeholders. This is helping to enhance the NAO's positive impact and influence as well as receive feedback.

Adrian Jenner (AJ) provided an update on the NAO's parliamentary relations to the Board. By Easer, 46 PAC sessions would have been held. Parliament had released the

recess dates up until Christmas. He alerted the Board to the parliamentary recess which will be held during the EU referendum, and confirmed the NAO will not public any report which could be used impartially in the run up to the referendum.

AJ reported that the NAO was mentioned 5-6 times a day in Parliament last month and this was increasing the NAO's visibility in Parliament.

Rob Sykes (RSy) mentioned the LGA Awards dinner he had attended went well. He praised Aileen Murphie (Director of Communities and Local Government) for doing an excellent job at representing the NAO.

Update from Remuneration and Nomination Committee

- 1.8 RSh updated the Board on the Remco meeting which was held on the date before the Board meeting. He raised that Remco had dealt with issues regarding the LT annual appraisals, the LTs objectives, succession planning and the development of directors. In align with the Board's terms of reference, the minutes will be shared at the next Board meeting, redacting any private and confidential information.

Item 2

Audit Committee Update

- 2.1 JS presented the Board with an update from the Audit Committee. JS thanked Helene Morpeth for the note she had provided to JS. The Audit Committee had considered three potential VFM studies; from this list, the Board approved this year's study on Workforce Deployment.
- 2.2 The Board agreed that Rob Sykes will carry out the role of Senior Independent Director (SID), previously held by Naaz Coker.

Item 3

Board Strategy Day

- 3.1 The Board were presented with a draft agenda for the Board Strategy day that is due to take place on 22 April.

The Chair proposed six questions to discuss on the day:

- i. What is the context within which the NAO will operate over the next 3-5 years: what is likely to change: are there alternative scenarios: what are the uncertainties?
- ii. What will Parliament, central government, and local bodies want or need: are we offering the right products/ services: where do we need to develop our offer?
- iii. What are the strengths and weaknesses of the NAO: do we have the right skills and capability to respond to the environment and to develop our offering?
- iv. What are the risks going forward?
- v. Do we have the resources we need to succeed and do we make the best use of the resources we have?
- vi. What would success look like in 3-5 years?

The Future Group, which prepares NAO colleagues for senior positions, will lead a discussion of potential scenarios addressing the first two questions proposed by the Chair. Thereafter the Board will agree next steps. It was noted that Members will receive a pack which will be sent to the Board in advance.

Item 4

VFM Development Programme

4.1 Daniel Lambauer (DL), George Crockford (GC), and Lee-Anne Murray (LAM) presented the Board with the next phase of the VFM Development Programme. The Board focussed on how VFM best practice can reach the wider office to bring all the relevant expertise and skills to bear on the issues the NAO are auditing and evaluating. The Board thanked DL and his team for an informative and insightful paper.

DL highlighted to the Board the move away from silo teams to ensure that the full range of skills were deployed on NAO work which required an internal behavioural change. DL mentioned that the early signs of the VFM programme were good and teams and clusters are thinking more about how best to do comparative work. However, this has not yet been translated into tangible outputs so will require further development. DL emphasised the need for teams to be constantly client focussed and to be more conscious about securing impact and influencing.

DL recommended to use examples of good practice and that teams should make more use of expert panels to support VFM work and judgements. DL encouraged teams to support this through sharing NAO skills and knowledge.

Members thought of the best ways to focus on impact. The Chair encouraged members of the Leadership Team to think about ways in which they can help teams to articulate their reports better. The Board sought to think about the purpose of the studies, and how teams can maximise the potential of the studies by using the knowledge and its resources further.

Members also discussed how the VFM programme is communicated and implemented to the wider office. JT and SS brought to the Board's attention ways in which the Financial Audit teams can work collaboratively with VFM teams.

The Board also discussed how to get departments to act on the PAC recommendations and how best to follow them up.

Item 5

NAO Responsibilities in relation to Local Government

5.1 David Aldous (DA) presented the Board with a paper on the NAO's responsibilities in relation to Local Government.

He highlighted to the Board that it has been almost a year since some of the responsibilities of the Audit Commission has transferred to the NAO. The main aim of the paper was to update the Board on progress and how associated risks were being managed.

RSy noted the changes in devolution and that greater clarity is needed on holding accountability and governance. The Board discussed the pressures on social care, health care, and children's services, and how there is a lack of resourcing and the implications for assurance provided by external auditors. DL assured the Board that the NAO was actively communicating with the external auditors to share insights from NAO work.

The Board thanked DA for an informative paper and sought to think about a future discussion.

Item 6

Business Improvement Project (BIP): Progress Report

- 6.1 SHo presented the Board with a progress report on the latest developments of BIP. It had been seven weeks since signing the contract and progress was on track. The next stage was on the development of the prototype which will be used for further engagement with NAO people to ensure that we can be confident that new technology meets our business needs.

The Board will be presented with a final business case at its meeting in April.

Item 7

Business and Risk Reporting

- 7.1 The Board received the business and risk report for the year end. The Board noted that correspondence targets had improved but emphasised that this needed to be sustained.

Item 8

Use of Resources in 2016-17

- 8.1 Tim Valentine (TV) presented the operating budgets for 2016-17 covering both the NAO's income and expenditure. TV mentioned that this was heavily determined by the economic market and this is managed closely throughout the year.

It was noted that the budget is tight this year and particularly sensitive to changes in numbers of staff, which are often dependent on external factors outside of NAO control. JS encouraged the LT to challenge clusters to retain staff and to set a programme of work for clusters. RSh queried why there was an increase (compared to 2015-16) in the operational budget for correspondence. TV explained that this was an estimate and volumes and complexity of correspondence vary year on year. TV agreed to provide a note setting out the planning assumptions behind the budget. This will be distributed via email.

The Board inquired why international work had been reduced and TV explained that this was due to the NAO's position on the UN Board of Audit coming to an end in June 2016. They also queried why the budget reduced its support to Parliament. This was due to the NAO delivering its targets more efficiently, and this was expected to continue.

The Board approved the NAO-Approved services.

ACTION: TV to provide a note to the Board explaining correspondence output budget.

Item 9

Annual Report and Accounts 2015-16

9.1 James Gourlay (JG) and Matthew Hemsley (MH) presented the planned approach to the Annual Report and Accounts 2015-16, and a paper which outlined the wider impacts of the NAO.

The Board approved the planned approach to developing the 2015-16 Annual Report and Accounts.

There were some comments on Annex 3 of the Annual report where the Board sought greater clarity on the NAO's Key Success measures. The Board emphasised the importance of the key success measures and encouraged JG and MH to increase their gravity. The Board also encouraged to distribute this document internally to restate to staff the relevance of the NAO's external performance measures.

The Board approved the proposed shortlist of wider impacts subject to the refinements by Clusters.

Item 10

Next Generation Service Desk

10.1 Angus Waugh (AW) presented the new contract for the Digital Support Service Desk. The Board approved the expenditure for this new contract.

Item 11

Evaluation of the Board

11.1 The Board approved the approach for an evaluation of the effectiveness of the NAO Board and its committees. The Board agreed that it would be useful to have a facilitated discussion on how the Board is generally managed and how best they are discharging their responsibilities. It was agreed that Caroline Waters would undertake the evaluation.

ACTION: To submit a business case to Procurement on Caroline's evaluation of the Board.

Item 12

Any Other Business

12.1 MB informed the Board that there were 76 applicants to discuss at the longlisting meeting to recruit the new non-executive member (NEM). The Board recognised the requirement for the proposed preferred candidate to meet with TPAC before the NEM would be appointed to the Board. MB was confident that the panel will choose a suitable candidate for the role after the interview stage, subject to the approval of TPAC members.

ACTION: For Board Secretary to arrange a meeting with TPAC members to appoint the new NEM to the Board.

12.2 The Board discussed the arrangements to celebrate the 150th anniversary of the role of the Comptroller and Auditor General and made some suggestions.

Item 13

Date and time of next meeting

13.1 The next Board meeting will take place on Thursday 21 April at 14:30 at the NAO London office.

Hafsa Khan

Board Secretary