

**The Board**  
**14 July 2016**

# Minute of July Board Meeting

# Present

## Members

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

## Attendees

|               |    |   |
|---------------|----|---|
| Hafsa Khan    | HK | Board and Leadership Team Secretary               |
| Adrian Jenner | AJ | Director, Parliamentary Relations (Item 1)        |
| Mark Allen    | MA | Head of Legal and Policy (Item 8)                 |
| Tim Valentine | TV | Head of Finance (Item 6)                          |
| Tim Wright    | TW | Director, Business Improvement Programme (Item 7) |

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

# Item 1

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

*For the board meeting to remain quorate, Stephen Smith attended the meeting as an observer and John Thorpe as a board member.*

### **Welcome & apologies for absence**

- 1.1 The Chair, Michael Bichard (MB), welcomed members to the meeting. The C&AG apologised for cancelling the proposed meeting in June due to unforeseen circumstances.

### **Declarations of Interest**

- 1.2 There were none.

### **Minutes of meetings and action points**

- 1.3 The Chair (MB) commented on the minutes of the meeting held on 21 April 2016. MB asked the Board Secretary to change point 5.1 to clarify the discussion on the NAO's strategy. Subject to this amendment, MB approved the minutes for publication on the NAO's external website.

### **C&AG's Update**

- 1.4 The Comptroller and Audit General (C&AG) updated the Board on progress with certifying more than 400 accounts which is a key priority at this point in the NAO's business cycle. He paid tribute to the hard work of all those involved. Work was on track largely as a result of the considerable upfront effort invested in planning and coordination. MB asked how financial audit examinations were supported during the busy period. John Thorpe (JT) explained that by taking a cross office perspective it had been easier to redeploy people as they become free from other audits; more VFM staff had been deployed for short periods to support financial audit; and LT members had made a concerted effort to engage and support teams. All of this was made possible by more detailed management information to highlight audits under stress or less resilient because of staff short falls or unforeseen circumstances. Undoubtedly some NAO people had worked considerable excess hours during the peak but the general feeling was that this had reduced compared to previous years. Debriefing meetings now underway are intended to learn lessons for next year.
- 1.5 The C&AG updated ongoing developments with the BBC charter renewal. It was unlikely that the draft charter would be published now until September when Parliament returned.

- 1.6 Joanne Shaw (JS) informed the Board that as part of its VFM review of the office's approach to workforce planning. Crowe Clarke Whitehall, the NAO's external auditors were holding a number of focus groups to gauge people's views. This would contribute to the final report which the Board would consider in September.

### **Ratification of Annual Reports and Accounts 2015-16**

- 1.7 As there was no board meeting in June, MB confirmed the ratification of the NAO Annual Report and Accounts 2015-16, and the NAO Diversity Report 2015-15. These reports were approved by members via email.

## **Item 2**

### **Parliamentary Update**

- 2.1 Adrian Jenner (AJ) and Liz Bradshaw (LB) provided the Board with a Parliamentary stocktake for the last 12 months. A total of 66 evidence PAC sessions were held and 52 reports published. It was clear that PAC was having an impact with an excess of 80 percent of its recommendations accepted. The Committee was having more follow up meetings to examine how recommendations were being implemented. The Chair and Members were generally positive about the NAO's support and professionalism. Going forward, the Board agreed it was important that the Parliamentary group continued to work closely with teams to instil a good understanding of MPs perspective and expectations. Linked to this was the continuing drive to extend the NAO's engagement more widely across Parliament. The Board emphasised the importance of this continuing. MB stressed the need to offer MPs a more personal service where this was practicable targeting their known interests.

## **Item 3**

### **Brexit**

- 3.1 The Board received a paper on an initial assessment of the implications of Brexit for the NAO. As a consequence of machinery of governmental changes the NAO director portfolios had been redesigned. Action was in hand to assess the financial implications for the NAO from work undertaken on behalf of the European Commission for which the NAO received a fee ceasing and having to be funded directly by Parliament. A new Brexit Select Committee was likely to be formed in September and plans were being developed as to the support the NAO might offer. The main overall focus of the NAO's

initial work is on: i) documentaring the flow of funds from Europe to the UK across the different sectors and geographical regions; and ii) identifying how each department was responding and managing associated works. The Board asked to be kept informed as this work progressed and the Government's overall approach became clearer.

## **Item 4**

### **Reflection on the Board Strategy Day**

4.1 James Gourlay (JG) presented the summary of the Board strategy discussion in April together with the agenda for the forthcoming strategy day on 29 July. The Board agreed that the first strategy discussion had gone well and all the Future's Group input was much appreciated. The Board approved the agenda for the strategy day on 29 July. It asked however, for more time to be allocated to discuss how the NAO is going to use digital technology to improve the way it delivers its responsibilities, enhances the way it engages with clusters, and secure influence and manages itself better internally. MB also suggested that the Board should discuss why potential clients would use the NAO focussing on our unique selling point. Technology was of course an important enabler but equally important were the softer skills of personal influence and engagement. The Board concluded that these were skills which NAO people need to be supported to develop further.

## **Item 5**

### **Financial Projections**

5.1 Tim Valentine (TV) presented an early draft financial strategy for the three years 2017-18 to 2019-20. This was intended to give the Board an early opportunity to contribute to its development. The financial projections took account of potential new work such as the BBC and confirmed new responsibilities such as the Bank of England as well as the implications of devolution. The paper also reflected the need to maintain the NAO's pay competitiveness in terms of being able to recruit and retain people with the right skills. The Board endorsed the early thinking and noted that fully worked up financial requirements would be presented with the first draft TPAC strategy submission in October. The Board agreed that the NAO needed to remain competitive in terms of pay but also emphasised the importance of continuing to practice what we preach. It would need to return to potential pay assumptions nearer to the TPAC hearing in December when more up to date comparative data was available.

## Item 6

### Developing NAO's Resourcing Approach

- 6.1 In preparation for the next strategy day John McCann (JM) produced a paper for the Board which set out the office's current approach to staffing introducing how the NAO staffed both its financial audit and VFM work. The board welcomed the paper but asked that for the strategy day the analysis be extended to include other potential options and provide more detail on the types of skills and behaviours which the NAO was likely to need.

## Item 7

### Business Improvement Project (BIP): Update

- 7.1 Tim Wright (TW) reported that: testing had gone well; configuration and data migration was on track; and that as planned, training would begin in August. The go live date of 19 September remained achievable. At this point there were no insurmountable hurdles but in terms of risks continuing plans were in place if needed. An active communication plan was being implemented and would be scaled up over the coming weeks.

JS asked why BIP was flagged as red in the risk register. TW explained that this was because BIPs success ultimately depended on cultural and behaviour change. While there was a cluster strategy to achieve this, inevitable uncertainties remained. JS recommended the risk was more appropriately amber. This was agreed by the Board.

## Item 8

### Digital Service Desk

- 8.1 Angus Waugh (AW) presented a business case for a new Digital Services help desk. The desk would aim to provide support 24/7, 365 days a year. This replacement would deliver effectiveness reducing staff input from six currently to two people. The Board sought assurance that there would be no diminution in quality of service. This was provided while emphasising that this was part of the wider digital strategy to reconfigure and enhance how the NAO utilised the benefits of technology.

The Board approved the service desk business plan.

## Item 9

## **Business and Risk Reporting**

- 9.1 Mark Allen (MA) presented the risk paper. His team had taken on board very helpful comments from the Audit Committee and had revised the presentation and structure of the risk reporting. The main substantive in development was the increase in correspondence which may require addition of resources. The Board asked to be kept informed as the ability of the NAO to handle correspondence effectively is very important.

## **Item 10**

### **Senior Independent Director Terms of Reference**

- 10.1 The Board reviewed the draft job description of the Senior Independent Director (SID). JS had asked for the SID role to be clarified within the job description. This will be published on the NAO's external site once the Chair has approved.

## **Item 11**

### **Any Other Business**

- 11.1 The Board received the meeting dates for 2017. Members were to inform HK of any diary clashes.
- 11.2 The Board received the annual Remuneration and Nominations Committee Report 2015-16 from the Remuneration and Nominations Committee Chair.

### **Date and time of next meeting**

**15 September 2016**