

The Board
28 July 2014

Minutes

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Gabrielle Cohen	GC	Executive Leader
Gillian Guy	GG	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Paula Hay-Plumb	PHP	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer
John Thorpe	JT	Executive Leader

Apologies

Naznin Coker	NC	Non-Executive Member
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Attendees

Toni Whitby	TW	Interim Head of Governance
Gurdip Juty	GJ	Financial Controller (Item 2)
John McCann	JMcC	Director, HR (Item 4)
Nikki Measures	NM	HR, Diversity Report (Items 4 & 5)
Sally Howes	SH	Leadership Team (Item 6)

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

Item 1

Apologies for Absence

1.1 Apologies were received from Naznin Coker.

Declarations of Interest

1.2 There were none.

Minutes of the Previous Meeting

1.3 The minutes of the meeting held on 15 May were approved and the Board agreed to their publication on the NAO website. The Board approved the note of the Board Conference Call of 26 June.

Action Points

1.4 The Board noted the items outstanding and agreed completed action points could be removed from the Action Log.

Matters Arising

ERP

1.5 At the Board Meeting on 15 May the replacement ERP had been discussed and further information was circulated to the Board on 13 June 2014. A conference call had been held on 26 June to discuss the alignment with both the NAO Strategy and IT Strategy. The Board **approved** the Business Case for ERP on the conference call on 26 June and the Board ratified their decision.

C&AG's Update

1.6 Since the last Board Meeting Amyas Morse (AM) had signed off a total of 342 accounts to 21 July, including 14 of the 17 major Departments. The NAO has gone through the audit peak period, achieving all of our outputs. The Board wished to thank and congratulate staff for the prompt delivery of audits and VFM reports. It was a remarkable achievement to have 14 of the 17 Departments signed off at this point in the audit calendar.

1.7 It was noted that there is a much higher turnover of staff that had been anticipated. AM discussed the pressure of keeping skilled staff and noted that the NAO would be monitoring external market pay. The NAO is looking at what we offer our people in

terms of training and career progression. It has also commissioned a review on flexible ways of working.

- 1.8 AM had met with the Chair of Standards in Public Life to discuss contractors in the public sector, in particular whether they behaved with integrity.

Update on the latest developments with PAC and Parliament

- 1.9 Gaby Cohen (GC) provided insight on the recent PAC hearings which had included HMRC and child maintenance, noting the Royal Mail report was due to return to the Committee in September. The NAO would be reviewing how its recommendations were made to PAC and other committees such as BIS Select Committee, which may encourage take up and acceptance of the NAO's recommendations going forward.

Update from the Audit Committee

- 1.10 The Audit Committee had met earlier and Gillian Guy (GG) briefed the Board on the items discussed. The NAO's new external auditors, Crowe Clark Whitehill had attended the Committee, their first. The Committee had discussed the second draft of the VFM Transformation Report from the external auditors, Baker Tilly. The next draft Report will include the feedback and analysis of the 2014 Annual Staff Survey, and will come to the Board before it goes to TPAC on 2 December.
- 1.11 Peter Wood (PW), the Director for Internal Audit and Assurance had discussed assurance mapping and the risks framework. A comprehensive report will come to the Board in November. PW had set out the three lines of defence in relation to risk; had given an audit brief on ERP, the NAO's response to fraud and the response to correspondence (which is currently at Amber). The Audit Committee had also reviewed their Terms of Reference which would come to the Board in September for approval.

Update from REMCo

- 1.12 The Remuneration & Nominations Committee had considered three outstanding Action Points at their earlier meeting and Paula Hay-Plumb (PHP) confirmed that all three actions were now closed.

Item 2

Quarter 1

Business Report | Risk Report

- 2.1 The Management Accounts were in a new format, reflecting the Clusters. The Dashboard and Management Commentary had been considered by the Leadership Team (LT) at their meeting on 10 July. Gurdip Juty (GT) confirmed that for this point in our 12 month business cycle, we are on track.
- 2.2 GJ highlighted the following to the Board:
- People shortfall: high turnover of staff. 100 new people will be joining the NAO over the next few months, a number which includes school leavers and graduates.
 - Investigations: new work has been proposed and will be implemented.
 - Consideration of the £0.9 million less spent than our Estimate provides the NAO with sufficient resilience to manage any “unplanned shocks” during the remainder of the year. This is made up of a £1.1 million reduction in our forecast salary costs, off-set by an increase in our budget for recruitment and agency fees.
- 2.3 The Board thanked GJ and approved the new management reporting style and commentary.

Risk Report

- 2.4 The LT had identified 7 strategic risks. Their assessment of each risk had been incorporated within the report and these were being actively managed. The LT were implementing risk action plans, where appropriate. Additionally, new or one-off risks were under “hot topics”, ensuring the framework remained live.
- 2.5 Each member of the LT would be a risk owner and carry out periodic deep dives which will be brought to the monthly LT meetings.

Item 3

Quarter 1 Accountability Review

- 3.1 The first Quarterly Alignment Review had been undertaken by LT which covered the period April to June 2014. Since April, accountability had also included Cluster performance. The new integrated, collaborative approach to working as part of Transformation was still “work in progress”. Clusters were highlighting the number of

reports they had produced rather than thinking of how they were securing influence externally.

- 3.2 Each Cluster will be working with an external consultant for one day in September to discuss how each of the groups work and the feedback would feed into the Senior Management Conference. The discussion would be how Clusters worked now rather than about performance.
- 3.3 The Board was keen to ensure transparency between each Cluster so that they could see best practice and learn and adapt to the new ways of working since transformation. The quarterly review will be made available to all staff on Merlin.
- 3.4 The Board considered the performance report for quarter one as well as the early draft of the Baker Tilly VFM external review of the transformation which includes commentary on the way accountability is working **[Item 10 AOB]**. The Board were pleased to note the performance achieved in the year to date. This would be communicated to staff. In terms of the accountability process, the Board recognised that the approach was still developing and looked forward to seeing further signs of its effectiveness in encouraging the transformation process and driving performance in the next quarterly report due in October. On transformation more widely, the Board concluded that while the formal arrangements were now complete and there were notable examples of new ways of working, there was more to do to encourage and embed these new practices.

Action: The Board to approve the wording of the announcement to staff on Accountability.

Item 4

NAO Staff | Diversity

- 4.1 Nikki Measures (NK), John McCann (JMCC) - with GC - joined the Board to discuss the NAO's Diversity Strategy.
- 4.2 The Board noted that further work is required to reach the targets and objectives of the NAO on diversity and gender. The fair allocation of work; the progression of female and BAME people showed disparities which the Board were concerned to note and wanted assurance that immediate remedial action was being taken.
- 4.3 The Board proposed:
 - the allocation of unstructured training be limited to, say, 10 hours rather than allow it to go to 36 hours;

- put in place a scheme to encourage staff to be more confident and set up internal communications avenues for staff to be heard; and
- the allocation of the work programme to be closely monitored ensuring staff put themselves forward for opportunities.

4.4 The Board would consider and respond directly to GC to the questions raised on the penultimate page of the “Diversity Issues in the NAO” PowerPoint slides:

- (1) Are the 4 goals still right?
- (2) Should we continue to have targets; and
- (3) where should we aim to be in 5 years?

Action: The Board would give direct feedback on the future of the NAO’s Diversity Strategy to GC via correspondence.

4.5 The updated Diversity Strategy would come back to the Board in February 2015 for consideration.

Item 5

NAO Staff | Annual HR Report

5.1 The Board reviewed the People Report, noting the key priorities for 2014/15. They asked for the Report to include more detail and fewer summaries. Further feedback was requested to be sent to JMcC.

Action: The Board would forward any comments, suggestions or amendments directly to JMcC so that these can be incorporated into the Annual HR Report which will be available to staff on Merlin after 4 August.

Analysis of Upward Feedback

5.2 The Board had asked for an analysis of upward feedback captured from staff progress reviews to date and the Board felt this was interesting and a good way to travel.

Item 6

IT Enabled Change Committee

- 6.1 The ITEC Enabled Change (ITEC) Committee's role is to provide assurance to the LT for all technology and business change activities, visibility on delivering sustainable improvements and return on investment. Sally Howes (SH) outlined the approach from a few large-scale IT projects to a more continuous incremental business change. ITEC would report to the Board annually and it was agreed this would be in February when the Board discussed the coming year's budgets.

Action: ITEC would report to the Board annually, in February.

Item 7

TPAC visit to NAO on 10 September

- 7.1 The Public Accounts Commission (TPAC) would be visiting the NAO's London office on the 10 September, between 9.30 am and 11.30 am, the third informal meeting with the Board.
- 7.2 It was suggested that TPAC Members meet NAO staff first, followed by a meeting with the Board to ensure that they found the day informative.

Item 8

NAO Board Strategy Day on 25 September *[amended date]*

- 8.1 The Board reviewed the programme for the Strategy Day noting the changed date to Thursday 25th September (with the Board Meeting rescheduled to Wednesday 24th September). The Strategy Day would open with an overview on the current strategy followed by two external speakers' presentations which presentations should relate specifically to the NAO and lead into a discussion on future strategy. More time would be made in the programme to discuss the presentations and the points raised. An updated programme will be circulated to the Board.

Action: The Strategy Day Programme will be updated and circulated to the Board.

Item 9

Annual Chair Evaluation

- 9.1 Andrew Likierman (AL) left the meeting. Paula Hay-Plumb (PHP), as Senior Independent Board Member, had undertaken a review of the performance of the Chair as set out in the Terms of Reference for the Board. She had spoken individually with both non-executive and executive members of the Board to gather feedback on the Chair's performance. PHP confirmed she subsequently had a productive discussion with the Chair during which she fed back the comments she had received. Where relevant AL would be passing on thoughts for the future to the incoming Chair.

Item 10

Any other business

- 10.1 The Board received a draft of External Auditors VFM Report on Transformation (which was the 2nd Draft to the Audit Committee). The Board discussed the draft report noting the Board will consider and approve the final report at its next meeting on 24 September, which will incorporate the analysis and feedback from the 2014 Annual Staff Survey. The report will then go to TPAC on 2 December.
- 10.2 The advertisement for the three non executive members to the Board was duly noted by the Board.
- 10.3 The Audit Committee minutes was duly noted by the Board.
- 10.4 The REMCO minutes was duly noted by the Board.

Toni Whitby

July 2014