

The Board
16 March 2017

Minute of March Board Meeting

Present

Members

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

Attendees

Abdool Kara	AK	Executive Member
Chloe Forbes	CF	Head of Strategy and Corporate Affairs
Susan Ronaldson	SR	Director, Engagement and Change (Item 2)
Mark Allen	MA	Head of Legal, Policy, and Governance (Item 7)

Apologies

Greg Parston	GP	Non-executive-member
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The Minutes record the business of the Board in Agenda order.

Item 1

Good Governance:

Welcome & apologies for absence

1.1 The Chair, Michael Bichard (MB), welcomed members to the meeting.

Declarations of Interest

1.2 There were no declarations of interest.

Minutes of meetings and action points

1.3 The Board approved the minutes of the meeting held on 19 January 2017 for publication on the NAO's external website.

Matters arising

1.4 MB congratulated Michael Whitehouse (MW) on his long and distinguished career at the NAO, as this was his final NAO Board meeting before retirement.

C&AG's Update

1.5 The Comptroller and Auditor General (C&AG) provided the Board with a short report of his ongoing work since the last Board meeting in January.

The C&AG highlighted that he had attended 'Wednesday morning colleagues', the weekly meeting of Permanent Secretaries, where they discuss the major issues of the day affecting the Government. At the meeting, he reported that the reception to our plans to add greater value for the bodies we audit, was a good one.

The C&AG said he had also continued to work with Parliament over the UK's exit from the EU and how this will effect the NAO in its future work.

He said these days Parliament was taking a greater interest in scrutinising the Estimates, the means of departments obtaining the legal authority to consume resources and spend cash. The Committee noted that different country Parliaments have different models for exercising this scrutiny, some more akin to the UK's system than others.

Update from the Audit Committee

- 1.6 The Board received a briefing note from the Chair of the Audit Committee, Janet Eilbeck (JE) which included the minutes of the Audit Committee meeting held on 16 December 2016. JE expressed concern about the pattern of non-compliance from the internal audit reviews on 'managing absence', 'performance management' and 'financial impacts'. She highlighted that the Committee would produce a report setting out the conclusions it had drawn from 2016-17.

The Board also endorsed the Committee's recommendation that the appointment of Martin Smith, the external independent member of the Audit Committee, be extended for a further 12 months, to cover the 2017-18 financial year.

Update from the Remuneration Committee

- 1.7 The Board received a verbal update from the Chair of the Remuneration Committee, Ray Shostak (RS). RS said the Committee had signed off the Leadership Team appraisals and remuneration, but was yet to agree the Leadership Team's objectives. The Committee was however waiting to approve all the Leadership Team's objectives for which new Executive Leaders need to be in place.

The Board endorsed the Remuneration Committee's recommendation that for 2017-18 the executive members of the Board be Daniel Lambauer, Rebecca Sheeran and John Thorpe.

Item 2

Executive Leader recruitment update and plans for the future of the Leadership Team

- 2.1 MW updated the Board on the process for recruiting new members of the Leadership Team and announcing the appointments to the Office. He said the new appointments were announced to the directorate and wider office on 2 March. Directors were given further opportunity to discuss the proposals and contribute to their development. The new Leadership Team is deliberating over the remainder of March how they will work in practice.

The C&AG said he was happy with progress so far. The C&AG noted that the civil service was an evermore corporate environment and Accounting Officers are now more than ever looking to the NAO for a cross-government perspective. So increasingly the

NAO's executive leaders and directors have to feel comfortable operating at a very senior level with the bodies we audit.

MB queried how cluster leadership would work in practice. The C&AG said each cluster would have a primary Executive Leaders who would take a greater role in service delivery and relationship building. Each cluster will be held accountable by one Executive Leaders who takes a lesser role in service delivery and relationship building activities to allow the accountability process to be appropriate robust and drive improvement.

JE stressed the importance of the new executive leaders being clear about their roles and responsibilities. She inquired about the contingency arrangements for the C&AG should he be unable to carry out his role for any reason at short notice, now that MW was retiring. She also inquired about who the executive member of the Board responsible for finance should be given that Daniel Lambauer, the new Executive Leader for Strategy and Planning, was not a qualified accountant.

Item 3

Operational Planning 2017-18

- 3.1 The Board received an update from the Financial Controller, Tim Valentine, on operational planning for the next 12 months. TV noted that this was the first year that the NAO had used Financial Force as a means to develop, submit and approve operational plans. He said he considered this a success. The Board discuss the Business Improvement Programme's role in realising the benefits from operational planning. MB stressed that the ability to optimise the use of resources to achieve our programme of work is essential to realising the benefits of the new system.

The C&AG said the Office would be using Financial Force to better plan its investigations work so as to avoid clashing with the financial audit peak season.

Item 4

External Environment

- 4.1 The Board received an update on the recent changes NAO's external environment and the Office's response. The Board agreed that the NAO is operating in an increasingly uncertain and fast-changing environment. MB suggested that transport major projects should be given due consideration alongside energy projects.

Item 5

Agenda for Board Strategy Day

The Board agreed the agenda for the Board Strategy Day on 18 May 2017.

Item 6

Business and Risk Reporting

- 6.1 The Board received the business and risk report for January from Mark Allen (MA). MA said there were no current specific threats but the NAO are alert to the risks to information security, and the affect a failure would have if procedures were not followed.

The Board requested that the risk register be revisited to: update the presentation and content so key issues are clearer to help identify priorities and inform decision making. JE said it should ensure closer alignment of risks and narrative with Board and Leadership Team insights for example risks around senior staff transition periods. MA said he would provide a 'recast' risk register for consideration at the next Audit Committee in May, ahead of a presentation to the Board in June.

The Board were concerned about the initial response targets for replying to correspondence not being met. The C&AG said the Office would look again at the Office's system for responding to correspondence to establish where the delay in the system occurs.

Item 7

Data security

- 7.1 The Board noted the guidance and the DSO's advice that each NED provides an annual assurance statement that they have complied with the guidance and completed the Information Risk training module. Each NED, except for Greg Parsons (absent), collected a CD copy of the training module to complete.

Chloe Forbes

Head of Strategy and Corporate Affairs

Date and time of next meeting

Thursday 15 June 2017, 14:30-16:30