

The Board
23 October 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 (<i>via conference call</i>)
Mary Keegan	MK	Non-Executive Member
Paula Hay-Plumb	PHP	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer
John Thorpe	JT	Executive Leader
Naznin Coker	NC	Non-Executive Member (<i>via conference call</i>)

Attendees

Toni Whitby	TW	Interim Head of Governance
Tim Valentine	TV	Head of Finance (Item 2) (<i>via conference call</i>)
Nick Lacy	NL	Head of Policy (Items 2 & 6) (<i>via conference call</i>)
Nigel Terrington	NT	Head of Strategy (Items 2, 3 & 7) (<i>via conference call</i>)
Maggie McGhee	MMcG	Head of Quality (Item 4) (<i>via conference call</i>)
Adrian Jenner	AJ	Head of Parliamentary Relations (Item 5) (<i>via conference call</i>)
Vicky Cox	VC	Head of Facilities (Item 8 (<i>via conference call</i>))

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

Item 1

Apologies for Absence

1.1 There were none.

Declarations of Interest

1.2 There were none.

Minutes of the Previous Meeting

1.3 The minutes of the meeting held on 28 July were approved subject to minor amendments to paragraph 4.2. The Board agreed to their publication on the NAO website.

Action Points

1.4 There were no actions points to be removed from the Action Log.

Matters Arising

1.5 Board minutes should demonstrate the governance of the Board and include the discussion behind the intentions of the Board when making decisions. The Board agreed that going forward the minutes should reflect the reasoning and governance behind the Board's decisions, stressing that this was not a criticism of the minutes.

Action: *The Board agreed that going forward the minutes should reflect the reasoning and governance behind the Board's decisions, stressing that this was not a criticism of the minutes. (Action Board Secretary)*

1.6 Gaby Cohen (GC) reported that the aspirational statements (NAO staff expectations from their working experience within the NAO | Item 5 Annual People Survey) had been discussed with Directors at the Senior Management Conference (SMC). The feedback from the SMC will be provided at the November Board Meeting. The results of the survey where perceptions had improved had also been discussed at the SMC and the lessons learned would be shared with audit managers and audit principles. GC would report back to the Board in November on the discussions with AMs and APs.

Action: *GC would report back to the Board in November on the aspiration statements and feedback from the survey of areas that had worked from meeting with AMs and APs. (Action GC)*

1.5 The Board asked for an update on ERP, together with a paper setting out the NAO's IT

Strategy for discussion at the November Board Meeting.

Action: *The Board to receive an update on ERP and a paper setting out the NAO's IT Strategy for discussion at the November Board Meeting (Action MW/Sally Howes/GJ).*

C&AG's Update

- 1.6 The NAO's role within the UN was now coming to an end. Amyas Morse (AM) felt that the NAO's international team had assisted the UN with primary audit intelligence and with good practice in administrative functions.
- 1.7 AM had met with Dr Sarah Woolaston, Chair of the Health Select Committee, to discuss accountability and governance to the newly established Governance Committee. She is proposing to conduct three enquiries and AM discussed with her how the NAO will be able to assist in appraising the evidence required. She is also proposing to design some studies and Naaz Coker (NC) suggested "Commissioning" as a topic for discussion and AM would raise this with Dr Woolaston.
- 1.8 AM had met with a group of newly qualified staff who had raised concerns over the quality of their VFM experience during their training and this had been discussed at the SMC. AM had found the group's input both valuable and their feedback would be taken forward.
- 1.9 Accountability Reviews will now be called Alignment Reviews. AM will be monitoring the new devolving responsibilities of clusters for budgetary responsibility (part of our drive for more empowerment within a framework of strong accountability to Clusters as part of Transformation).

Update on the latest developments with PAC and Parliament

- 1.10 There had been a high attendance at recent Parliamentary Committees. The Whole Government Accounts Committee Meeting had lasted 2½ hours and Members had been actively engaged. There were two new members of PAC. PAC were making good use of NAO Reports which now highlighted strategic issues and assisted Committees on where they should look.
- 1.11 Before work commenced on any report, staff with broad ranges of skills were involved giving valuable insight. This was impacting favourably on our work - with Parliament seeing the value of bringing out strategic issues. Paula Hay Plumb (PHP) asked if this would shape the presentation of recommendations and AM agreed it would, emphasising the importance of the quality of our recommendations to Departments.

Item 2

Business Report | Risk Report

- 2.1 The Board received the half year Business Report and Financial Report up to 30 September 2014.
- 2.2 Tim Valentine (TV) provided the Board with an update, on behalf of Gurdip Juty, in relation to ERP. The decision had been taken to go with Hitachi and a fixed price contract (to be funded from capital) is anticipated to be signed the end of November. Sally Howes (SH), as lead Executive, would ensure that the contract captured all the detail, as incorporated within the tender document, and the fixed price. The implementation date would be synchronised to fit with the business cycle and roll out would be during the summer of 2015 with ERP in place by 1 September for planning the work programme for the following year. This timetable ensured that there would not be a rush to implement during a business period of the work programme. ERP affordability was complex: Finance were splitting capital versus resource spend. The ERP team meet regularly to agree the way forward.
- 2.3 AM confirmed **all** staff would be thoroughly trained so that each team had the same knowhow and use of technology, ensuring they all understood it and were working together.
- 2.4 Gillian Guy (GG) stressed that there should be adequate testing on the roll out programme of resilience and volume.
- 2.5 PHP recalled that when SH made the first presentation to the Board on ERP she stated she would set out where ERP sat within the whole of the NAO strategy. This would sit alongside a paper on ERP; and assist the Board discussion on the IT Strategy to understand the detail and context.

Action: *The November Board papers on ERP to include the IT Strategy, and detail and context of ERP within the NAO Strategy (Action GJ/SH).*

- 2.6 The Board noted that the anticipated impact targets were lower than forecast for this time of year. Nigel Terrington (NT) said that the NAO had substantially over-achieved in the last 2 years and that there was still some time to go for impacts to be made in the year and it was likely that this gap would close. On reoccurring impacts, two had finished this year. Various channels of communicating the importance of targets were being used with staff and Executive Leaders had prioritised impacts with Cluster Directors. OCC met monthly and received a report on impacts at each meeting;

Directors were sent regular updates; and at each staff training event the importance of impacts was discussed.

- 2.7 NT had that morning received a new impact in the region of £55 million which would raise our forecast impacts to 9:1. Although our target will not be the same as last year's impact of 16:1, there were still more impacts in the pipeline and every effort was being made to achieve 10:1.
- 2.8 The Board confirmed that the priority is ensuring that the targets were good ones and that the NAOs work is not distorted in order to reach the impact target.
- 2.9 John Thorpe (JT) discussed the timing of impacts from NAO's work in specific areas namely our reports on tax avoidance; and fraud and error which are likely to deliver savings later. The measuring of impacts which are in the pipeline and how the Treasury may reform their thinking from our work is a new area to measure and would need further insight.
- 2.10 Measuring our impact as we do now was a valid measure but in the context of a basket of measures and we should be interested in how our clients manage their business. Gillian Guy (GG) reiterated that it was a "measure" and not a target and this should be brought out in the report.
- 2.11 Mary Keegan (MK) suggested that the Risk Report Owners should include individual assignment Directors and Executives. This would give Clusters responsibility and be a useful management tool. Nick Lacy (NL) would add this detail as the next stage of development to the Risk Register and noted that OCC had a standing agenda item that S&P Directors be added as Risk Owners.

Action: *Risk Owners to include assignment Directors and Executive (Action NL).*

- 2.12 The Risk Register should also include bottom up risks so that the top (Leadership Team and Board) would know what they needed to react to. The Planning Cycle – Work Programme – would build on Clusters incorporating this information into the Risk Register.

Action: *Bottom up risk from Clusters to be added into the Risk Register (Action NL).*

- 2.13 PHP noted that the C&AG's Update included detail of the likely underspend but this was not mentioned in the Financial Report. Michael Whitehouse (MW) confirmed that there was likely to be an underspend and this would be surrendered. This would be noted in the next Financial Report to the Board.

Action: *The underspend would be brought out in the Board's Financial Report (Action GJ).*

2.14 GG noted that the Scottish Independence Vote had been removed from the register but proposed "Scottish Devolution" to be added. NL confirmed that Scottish Devolution would be added to the risk register.

Action: *Scottish Devolution would be added to the Risk Register (Action NL).*

2.15 The Board discussed the RAG ratings used and whether there should be an additional colour between Green and Amber or Yellow. Risks were a combination of likelihood and impact and how we managed a risk down, which gave its RAG risk colour. The Board would leave it to NL and his team to consider and review, if another colour was required.

Action: *RAG Rating of Risk to be reviewed (Action NL).*

Item 3

Strategy

3.1 The Board approved the 2015-16 to 2017-18 Strategy to be submitted to TPAC on 21 November. The hearing is on 2 December 2014. MK asked for the foreword to be reviewed in light of the way the NAO works in an agile way.

Action: *The Strategy was approved for onward submission to TPAC (Action NT).*

3.2 The Board felt that next year's Strategy should be considered with a view to changing the style; consideration of how the NAO has changed since Transformation, who the report is intended for, and who is it likely to excite. The People Survey showed that the majority of staff did not understand the strategy and making the strategy an easier, logical read could help.

Action: *A review of the style, context and audience in relation to the Strategy to be undertaken for 2015. To consider how the NAO has changed since Transformation, who the report is intended for, who is it likely to excite. (Action NT)*

Item 4

Transparency Report

4.1 Maggie McGhee (MMcG) presented the Annual Transparency Report which is a public document setting out the policies and procedures in place that underpin audit quality. The NAO is not required to produce the report, but has chosen to do so to comply with

good practice.

4.2 MK asked that there be some minor amendments to paragraphs 2.7; 2.11; 2.17 and Appendix 2 paragraph 2. MK thought the report was good.

4.3 The Board approved the Transparency Report to be published on the NAO website subject to the amendments above.

Action: *The Board approved the Transparency Report for publication on the NAO website, subject to some minor amendments (Action MMcG)*

4.4 MK asked if next year's Transparency Report could make more of the NAO and its work – a marketing tool; similar to the transparency reports produced by Firms.

Action: *The Board asked MMcG to review the Transparency Report style for next year. (Action MMcG).*

Item 5

Stakeholder Feedback

5.1 The Board received the Ipsos MORI 2014 results, an omnibus study of MPs which asks MPs about their familiarity, favourability and perceptions of the NAO. The NAO scores highly in terms of MP familiarity (76%) favourability (68%) and advocacy (57%) which is normal for scores to be highest in familiarity and lowest for advocacy. In familiarity the NAO is on a par with ONS and OBR, and our favourability has increased steadily since 2012 although we score lower than ONS and OBR. There was an improvement in the number of MPs who say we focus on the right issues (68%). Perceptions of how well we communicate with MPs compared with other organisations, has always been low (this year 37%).

5.2 Adrian Jenner (AJ) and the Parliamentary Team have put together a strategy which will be put in effect over the next 6 months, before the General Election, with a view to engaging with MPs and increase our influence in the next Parliament. AJ will be trialling and piloting a number of initiatives which are digital: MP's are more tech-savvy and usually have staff to assist them to researching and obtaining information. An interactive presentation, used on Tablets, will be trialled, with careful messaging. The first trial was undertaken yesterday with a Committee and the Parliamentary Team are collecting their feedback. GC said that the feedback received to date had been positive and favourable.

- 5.3 AJ is investigating whether the NAO can have a portal on the Parliamentary intranet site so the NAO is seen as a resource for information. Promoting the skills and talents of NAO staff by the Directors and by AM will make Committee Chairs and MPs aware of our breadth of knowledge.
- 5.4 The Board noted that references to the work of NAO had gone up significantly with MPs using our work more than ever but noted that we need to target our communication more. The Board considered what actions the NAO should take going forward with a view to the perceived gap in communicating what the NAO do and asked if what has been proposed by AJ and the Parliamentary Team is enough as there is a lot of ground to be made up. AJ's previous experience and role would be useful in creating relationships with Committee Chairs. AJ would be working with the Communications Team to engage more actively with Committee Chairs and MK asked for the feedback to include a specific grouping "Chairs to Committees".
- 5.5 MW said that the NAO will be talking to all the Committees and working with them not only to show our value but also to develop NAO expertise.
- 5.6 MPs were interested in local issues/constituency related information from the wider reports. The NAO would be engaging with Parliament and making it clear what material we are able to offer so that MPs can take this information and develop for their local interests. We would also explore how we can effectively do more to help MPs.
- 5.7 Examples where the NAO's work had crossed various areas of practice included digital where communities of practice had been applicable over a range of Committees. JT pointed out the work of a recent evidence session to the House of Lords on HS2 and how this was an important area to capture as the NAO had been part of the scrutiny and debate. House of Lords Committees would be included in the Parliamentary Team's strategy.

Action: *Parliamentary Team Strategy to incorporate House of Lord's Committees (Action AJ).*

- 5.8 The Board noted that the NAO was seen less favourably by Conservatives. The data has only been collected since 2010 so there is no comparison with the last Labour Government. What was available was the high score from all MPs to the NAO's impartiality and integrity. The Board felt that the analysis was a valuable tool and would assist with better insight of MPs needs.

Item 6

Update on the Implementation of Recommendations Arising from External VFM report on Transformation

- 6.1 The Board had approved the External Auditors VFM Report on Transformation in September. The Board had asked to see the Management Response to each of the Baker Tilly's recommendations and this was presented to the Board, noting that the final VFM Report will incorporate the Management Response. The final report will go to TPAC next week.

Item 7

Q2 Accountability Review

- 7.1 The Leadership Team has undertaken the second quarterly alignment review (July to September) at which the LT take stock of clusters' progress, and where necessary put in place remedial actions. Midway through the NAO's first year of operating in its new way since Transformation, performance is broadly on track but there are variations in the extent to which clusters have adopted new ways of working, and their articulation of their progress on the strategic issues they are seeking to influence.
- 7.2 The LT are making some personnel changes within two clusters. New managers had been brought in to work with Directors to articulate the strategic themes and ensure the work programme supported this.
- 7.3 PHP asked if the Clusters were aligned correctly or in need of some variation. JT confirmed that the Clusters were absolutely right, but there was some refinement required as we were only 6 months into the Cluster way of working. MW confirmed that it was more alignment of the people in clusters; not the subject matter of clusters nor the quality of their work that was at issue. Moving away from the old ways of working (outcomes based) and more towards strategic focus was a challenge for some people.
- 7.4 PHP asked for the way we presented out Strategy next year to encompass the work done in Clusters to show the progress made on strategic themes, which would show how we have changed.

Action: *Strategy for 2015 to incorporate the Clusters progress towards strategic themes (Action NT).*

7.5 MK asked what actions the LT were taking in relation to ensuring a fair allocation of work to trainees, as previous work allocations had differed based on ethnicity, which had impacted on performance reviews. GC confirmed that there was a more active process, with People Directors driving this forward, for the assignment of work to ensure allocations were fair and the LT were monitoring monthly. The impact of the new monitoring will not show until the end of the year (December) and will be reported to the Board in February.

Action: *The impact of assignment allocation for trainees in ensuring no ethnic bias in allocation of work would be brought to the Board in February (Action GC).*

7.6 PHP asked if the work that was being taken to ensure fairness of the allocation of work was known to staff generally. Currently discussions had been with Directors and not with the Clusters. The LT would discuss how they could make their work visible to staff. GC and NT would discuss communication to the office.

Action: *A communication to the office summarising the work the Board and LT were doing to actively ensure the fair allocation of work to staff would be circulated (Action GC/NT).*

Item 8

Facilities Contracts | Retendering Project

8.1 The NAO strives to ensure our corporate overheads are proportionate to our business needs and are value for money. We also have a commitment to the tenants within the London office to provide services agreed within their lease arrangements. The NAO outsourced its facilities management in 1997. When the NAO returned to BPR in 2009, following the refurbishment project, two facilities management contracts were entered into for a fixed 5 year term. Both contracts (one for facilities and one for manned guarding and reception) will end 31 March 2015. Facilities are tendering for the contracts, which will conclude in December 2014.

8.2 The capability of contractors bidding for the contract was important but also consideration of the quality of the services provided by a contractor. Vicky Cox (VC) confirmed that all three contractors tendering were expected to give value for money and improve on what we current have.

8.3 The Board were concerned that they had only now had sight of the proposed tendering process for the facilities contracts and asked that the Board receive advance knowledge of all and any contracts of this value in a timely manner.

8.4 The Board asked that they have sight of new projects in a timely manner and asked for this to be discussed at the next meeting.

Action: *The Board asked for sight of new projects in a timely manner and for this to be discussed at the November Board Meeting (Action MW).*

8.5 VC told the Board that staff had been informed of the tendering process and had received details on TUPE, both minimum requirements and good practice. NC felt that this was very important for the Board to know. NC asked for the risks of entering into new contracts be included in the Risk Register. These should include the TUPE process for staff to contractor if the incumbent does not win the contract.

Action: *The risks of entering into new contracts to be entered into the Risk Register (Action VC/NL).*

Item 9

Any other business

There being no further business, the Board Meeting ended. AL, PHP and MK met with the Newcastle staff.

Toni Whitby

October 2014