

**The Board**  
**24 September 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
Naznin Coker	NC	Non-Executive Member

## **Attendees**

Toni Whitby	TW	Interim Head of Governance
Gurdip Juty	GJ	Financial Controller (Item 1 & 2)
Sally Howes	SH	Leadership Team (Item 1)

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 1.6 and 5.2. The Board agreed to their publication on the NAO website.

## Action Points

1.4 The Board agreed completed action points could be removed from the Action Log.

## Matters Arising

### ERP

1.5 At the Board Meeting on 15 May and at the Conference Call on 13 June 2014 the Board discussed the replacement ERP. Gurdip Juty (GJ) and Sally Howes (SH) gave an update on the procurement process, following the ratification of the decision at the July Board meeting to approve the business case and proceed with the procurement phase.

1.6 The procurement followed a restricted OJEU competition for the most open tendering opportunity, leaving the market to identify and propose the most appropriate solution to meet the project requirements. Six out of the seventeen suppliers that had expressed an interest through a pre-qualified questionnaire had been shortlisted and invited to tender. The ERP Project Board was chaired by Michael Whitehouse (MW) with SH, as a member. The ERP Project Board had made an assessment on the basis of the tender evaluation recommendation and GJ confirmed that the agreed supplier – Hitachi Solutions Europe - had met the requirements and scored the highest on both the technical and commercial evaluations.

1.7 Hitachi have a fixed price at a baseline cost of £1.6 million over a 6 year period. This includes solution design, implementation costs, project support and ongoing core maintenance. The Board noted that this is higher than the original £1.45 million estimated but it is a fixed price and there will be no additional software costs. SH confirmed to the Board that the price included significantly more functionality than

originally anticipated, and included all mandatory and well as most desired and optional requirements.

- 1.8 ERP is unlikely to sit on our current platform as we do not have the capacity for it. Discussions were ongoing on whether ERP will sit on the new platform or within Cloud.
- 1.9 SH and GJ were currently in the process of undertaking detailed due diligence. Hitachi have been asked to provide IP information to understand how the system will fit with the NAO's current systems. The NAO would not wish it to be Hitachi that would need to make future alterations or changes to the system; these would be done in-house.
- 1.10 There will be a business change which will impact on areas such as HR and finance. Staff would require training to work with the new system. Training will be early in the process to ensure the new ways of working were embedded. Michael Whitehouse (MW) would hold everyone to a standardised way of working which would be required to ensure the new system worked. International and vfm work would require a different set up.
- 1.11 GJ informed the Board that he had visited a Hitachi client on site to see their programme in action; noting that they had not taken up all the functionality. Hitachi has an extensive client base within the private sector as well as within in the public sector and understood consultancy based clients. Hitachi were proposing to project manage installation but as this was a large change across all systems, unique to the NAO, the project management would be carefully monitored internally. Work currently undertaken in MKi may need to migrate across to ERP. Hitachi will not be phasing in implementation but it will be a one migration of change on 31 March. The NAO would manage the transition of systems internally to ensure that it did not affect the work programme, especially at the peak financial audit time.
- 1.12 The Board were keen to ensure that governance arrangements were in place, ERP was resilient and fit for purpose and that the Cluster Directors were on board with the new system and would be behind the standardised way of working. SH confirmed that Cluster Directors would be involved and kept updated.
- 1.13 The Board will be updated on the due diligence progress at each Board meeting (next update October) and on key milestones within the project.

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

- 1.14 Amyas Morse (AM) informed the Board that there was a good programme of high profile topics supporting PAC hearings in the run up to Christmas. Six reports had been published in September.
- 1.15 The NAO will be taking responsibility for the Code under the Local Audit and Accountability Act. The Leadership Team (LT) had met to discuss the draft Code of Audit Practice and the first draft had been sent out for consultation.
- 1.16 The LT had met to discuss Transformation in the light of the external auditors vfm report on Transformation and the feedback from the Annual Staff Survey. The Senior Managers Conference would be a platform to discuss the findings.
- 1.17 Further work was required to ensure clarity on the strategic pitch of the work of the NAO and colleagues understood the reasoning behind this.
- 1.18 Colleagues were working more in teams and less in silos which meant using resources and working differently, which took time to establish. Investigations were increasing and these needed to be resourced. How the NAO managed change was a strategic challenge.

### **Update on the latest developments with PAC and Parliament**

- 1.19 Gaby Cohen (GC) reported that PAC had now had two sessions on contractors within government. The Committee had received evidence from a number of sources which PAC report will incorporate recommendations, and would be ground breaking work. CBI were undertaking work around contractors responsibilities and PAC were interested in their analysis.
- 1.20 PAC have a conference on tax avoidance at the end of October to highlight the issue. There would be some interesting speakers, some of which were international.

## **Item 2**

### **Business Report | Risk Report**

- 2.1 The Board received the August Business Report covering the eight month period until 31 August 2014 and the August Risk Report. The Board appreciated the balanced approach used by GJ in the business and risk reports.
- 2.2 The Board noted the forecast for the year remains in an underspend position resulting from a lower complement of staff. A wider income and expenditure forecast across the office would be carried out and the findings presented in October.

2.3 The Board noted that the Scottish Independence vote had since been reduced in risk.

## Item 3

### Quality

- 3.1 Maggie McGhee (MMcG) and Michael Kell (MK) presented the Annual Quality Report. For the first time the Report combines reporting on quality of Financial Audit and Value for Money. The external review of quality is undertaken by FRC. The FRC's Report summarised the NAO's performance in quality over the last year and set out key actions for 2014-15. It was the first time that the FRC had mentioned efficiency. There were some areas for improvement, particularly in relation to documentation.
- 3.2 MMcG and MK had created a Good Practice Guide to ensure that documentation was of consistent quality and had been incorporated within the planning of the Work Programme.
- 3.3 The Board asked whether in the light of transparency if the NAO's Quality Report could be published and the Executives would consider how we could work towards this.
- 3.4 The FRC were discussing secondments of staff – seniority of secondment, longevity of secondments, whether they should be short term with a maximum of 9 months. The NAO's stance is that secondments help staff in their job, give client insight and skills. MMcG had been appointed to the FRC's Committee setting standards and the Board congratulated her on the appointment.

## Item 4

### Board Evaluation

- 4.1 The Chair presented the results from the internal annual Board Evaluation noting that the Board membership is changing from January 2015.
- 4.2 The NEMs requested Board papers should be with them earlier and papers to be concise; as an example that they could be read on an iPad. Short papers with a clear message of what was needed as an outcome from the Board were agreed as the way forward. Papers will be with the Board members **one week before the meeting date.**

**Action:** Board papers sent out to arrive one week before a meeting and to be clear on outcomes required from the Board. (Action MW)

## Item 5

### Annual People Survey

- 5.1 The results of the 2014 Annual People Survey and the LT's initial response were discussed by the Board.
- 5.2 The Board were encouraged to note that the results in general had improved from 2013 but noted continuing concerns in terms of: the quality of communication; confidence in the Leadership Team; and the comparability of pay with other similar organisations.
- 5.3 The Board noted and supported the LT's decision to continue with the action plan developed in 2013 and to supplement this by setting out more clearly what people employed by the NAO can expect from their working experience. This is to be taken forward at the Senior Management Conference and the output would be shared with the Board.
- 5.4 The Board requested that further communication to the Office about the survey should be clear and acknowledged the extent of the continuing challenge to improve engagement. The Board suggested that the LT should look at those areas where perceptions had improved in order to understand what had worked.

**Action** *The LT to continue to implement the action plan developed in 2013 and to report progress at the next Board meeting along with the aspirational statements to be developed at the Senior Management Conference. (Action GC)*

- 5.5 The way the NAO is working, in Clusters as part of Transformation is the right way but need to ensure that all staff are clear about the strategic goals and how all the work we do aligns with the work of PAC. Workshops had been set up for the Clusters to assess how they were working and to focus on leadership and strategy. The Board noted that the Cluster Directors receive the Cluster analysis from the Staff Survey and this will be discussed at the Senior Management Conference.
- 5.6 Colleagues need to understand the strategy and what we are trying to achieve. The NAO must ensure all of its work has cohesion and focus; is persuasive and acceptable and this will be reflected in the recommendations that come out of PAC hearings.

## Item 6

## **External Auditors VFM Transformation Report**

6.1 The final report from the external auditors, Baker Tilly, for onward transmission to TPAC on 2 December was approved. The Board noted the Recommendations set out in the report and will review the accountability process.

6.2 The Board asked for the Management Response to be circulated to them.

**Action:** *The Management Response to the VFM Transformation Report would be sent to the Board (Action MW).*

## **Item 7**

### **Audit Committee Terms of Reference**

7.1 The Audit Committee reviewed its terms of reference. The Board considered the quorum required for a meeting and agreed that the quorate be amended from its current number of 3 to be three quarters (to the nearest whole number) to reflect a reasonable proportion of the membership and withstand any further changes to the size of the committee. The effect of this on the current committee would be to reduce the quorum to 2. The Board approved the updated terms of reference.

## **Item 8**

### **Any other business**

8.1 The Audit Committee minutes was duly noted by the Board.

8.2 The REMCO minutes was duly noted by the Board.

8.3 The Board received the brief for the visit of the Board to Newcastle and noted that Naaz Coker would attend via conference call from the London office. The Board would receive a briefing before meeting the Newcastle staff.

**Action:** *The Board would receive a briefing note before meeting Newcastle staff.*

**Toni Whitby**

**September 2014**