

The Board

17 November 2016

Minute of November 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
Janet Eilbeck	JE	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
Tim Valentine	TV	Head of Finance (Item 2)
James Gourlay	JG	Audit Manager, Strategy Team (Item 2, 3, 4)
Matthew Hemsley	MH	Audit Principal, Strategy Team (Item 2, 3, 4)
John McCann	JMc	Director, Human Resources (Item 5)
James Weston	JW	Recruitment, Human Resources (Item 5)
Meredith Brown	MB	Diversity, Human Resources (Item 5)
Daniel Lambauer	DL	Director, VFM Practice and Quality (Item 7)
Kate Mathers	KM	Director, Financial Audit Practice and Quality (Item 7)
Mark Allen	MA	Head of Legal and Policy (Item 8)

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: Minutes, Matters Arising and the C&AG's report

Welcome & apologies for absence

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

Declarations of Interest

1.2 There were none.

Minutes of meetings and action points

1.3 The Board approved the minutes of the meeting held on 20 October 2016 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 developments over the last month. It was now certain that the NAO would be the financial auditor of the BBC and this would be confirmed in the new charter which would receive the Royal Assent in December. Two new members had joined PAC, Charlie Elphicke and Kwasi Kwarteng with whom the C&AG had had introductory meetings.

Item 2

Strategy Submission to the Public Accounts Commission (tPAC)

2.1 The Board had input into the development of the annual strategy submission to the Public Accounts Commission at its two strategy days in April and July, and during Board meeting discussions in September and October. The final draft now put forward for Board approval reflected this contribution. In addition the Board were asked to approve the Supplementary Estimate and Memorandum. This was required to ensure that the NAO had sufficient financial cover for the work needed to prepare for becoming the financial auditor of the BBC as well as additional work arising from machinery of government changes.

2.2 Discussion focussed on the resource bid and in particular that the financial cover in the Supplementary Estimate was absolutely necessary and if so, would be sufficient to ensure that the NAO could do all the preparatory work required to provide a high quality audit of the BBC. The Board also discussed the pay assumptions in the financial bid 2017-18. The Board endorsed the one percent pay assumption in keeping with the

wider public sector, but recognised that the NAO needed the flexibility to pay more to help retain staff if market conditions clearly justified this.

- 2.3 The Strategy and Supplementary Estimate were approved for transmission to the tPAC clerk. The Board emphasised the importance of the strategy and its implementation being actively communicated to NAO people together with progress in achieving its objectives.

Item 3

Mid-Year Review of Cluster Performance

- 3.1 Twice yearly Executive Leaders (ELs) review the strategic performance of clusters concentrating on progress in securing influence; developing skills in the strategic focus of each cluster; and people engagement. The latest review covered the period 1 April to 30 September 2016. The results of the review had been used to update each clusters' benefit realisation plan and help inform the forward work programme.
- 3.2 The Board recognised the good progress being made in securing wider influence from the NAO's work. Discussions focussed on the scope:
- for making greater use of social media in raising interest in the NAO's work, particularly among MPs;
 - the potential to draw out wider systemic issues, more specifically around improving civil service skills and capability;
 - and whether we are placing enough focus on social care.

In respect of the latter the C&AG drew attention to the stream of work the NAO was doing on NHS/social care integration.

Item 4

NAO Forward Programme

- 4.1 The C&AG's statutory remit means he has sole discretion in the subjects he decides to report upon to Parliament. The Code of Practice which covers the relationship between the C&AG and the NAO notes that Board members may offer advice on the balance of the work programme or on particular proposals. The Board discussion was intended to facilitate this.

- 4.2 Members asked questions on specific proposals particularly in health and local government, as well as more generally on how proposals were part of a wider 2-3 year programme for each department or sector. The Board discussed how the programme as a whole supported the NAO's strategic priorities. Going forward the Board agreed that it would be helpful, in addition, to group the proposals in this way, as well showing them as part of an overall strategy for each department. The Board also asked for the discussion to take place earlier in the year so that they could provide advice and views to the C&AG before teams initial proposals became more developed, while respecting that the final say on selection rested with him.

Item 5

NAO People Survey 2016

- 5.1 The Board discussed the initial headline results of the NAO's 2016 annual people survey. These showed widespread improvement from last year. The Board were pleased with the results but recognised that we should not be complacent and that there was more to do. The Board would consider the full results of the people survey at its January meeting together with the planned follow up actions.

Item 6

Access to Accountancy

- 6.1 The NAO is a founding member of Access Accountancy (AA), a body committed to improving social mobility in the accounting profession. The Board received an update on the NAO's involvement in this and more generally how the office ensured that its recruitment promoted a social inclusive work place. The NAO has introduced a number of initiatives including blind recruitment, removing names from application forms to minimise unconscious bias against recruits. Wider interest in the NAO was being promoted by providing work experience for students from socially disadvantaged backgrounds. The most recent work experience programme was in October when 14 students from year 13 spent work either at our London or Newcastle office. The Board fully endorsed this approach and encouraged further innovation to ensure that the NAO recruits the best people from a diverse range of backgrounds and creates an environment that helps all succeed.

Item 7

Transparency and Quality Review Report

- 7.1 As part of its assurance role the Board considers each year the outcome of the NAO's quality assurance and approves the publication of the Office's Transparency report. The Quality Assurance report covered both financial audit and VFM and was presented by the two practise leads, Kate Mathers (KM) and Daniel Lambauer (DL).
- 7.2 The Board's overall conclusion was that the NAO's work continued to meet required standards and that both financial and VFM work were underpinned by on going quality improvement programmes. The discussion focussed on:
- **Planned digital investment in financial audit intended to ensure that the NAO kept pace with wider developments in audit approach by the private sector firms.** The Board supported this recognising that initially the investment was intended to enhance the quality of NAO's work, and would need to be supported by sufficient training. Nevertheless the benefits should also extend over time to improving efficiency as enhancements were mainstreamed. This required a clear benefits realisation plan.
 - **Results of external reviews by the Financial Reporting Council (FRC).** NAO's scores were generally behind those of the private firms. The FRC had raised its standards and initially the firms had to refocus particularly in ensuring that judgements were sufficiently well documented. The NAO faced a similar situation. The Board emphasised the importance of adequate documentation of all audit work and judgements being an explicit requirement in directors' and managers' objectives.
 - **VFM improvement programme.** The Board focussed on the added value being delivered to departments and public bodies from the NAO's VFM work and in particular how to enhance this further. The importance of drawing out systemic issues, reusing materials and approaches, adopting a campaigning style to reinforce messages and packaging NAO work in different ways to reflect user needs were all emphasised.
- 7.3 The Board approved the Annual Quality Report and Transparency Report.

Item 8

Business and Risk Reporting

- 8.1 The Board received the reports for October 2016. No major issues were highlighted other than the need to meet the NAO's financial impact target and for sound financial management in the remaining months of 2016-17.

Item 9

Any Other Business

- 9.1 The Board gave approval to commence tendering for the replacement of the NAO's legal support contracts.

Date and time of next meeting

Thursday 19 January 2017, 10:30-16:30