

NAO BOARD MINUTES

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

Financial year 2017-18 – Board meeting

Room:	Blue Mezzanine 1
Location:	National Audit Office 157-197 Buckingham Palace Road, London SW1W 9SP
Date:	15 July 2017
Time:	14:00 – 16:00

Present		
Michael Bichard	MB	NAO Chair
Amyas Morse	C&AG	Comptroller and Auditor General (C&AG)
Rob Sykes	RSy	Non-Executive Member
Ray Shostak	RSho	Non-Executive Member
Janet Eilbeck	JE	Non-Executive Member
Daniel Lambauer	DL	Executive Member (Observer)
Rebecca Sheeran	RShe	Executive Member
John Thorpe	JT	Executive Member
Abdool Kara	AK	Executive Leader
Kate Mathers	KM	Executive Leader
Stephen Smith	SS	Executive Leader
Max Tse	MT	Executive Leader
Chloe Forbes	CF	Head of Strategy and Corporate Affairs
Adrian Jenner	AJ	Director, Parliamentary Relations
Mark Allen	MA	Head of Legal and Policy
Tim Valentine	TV	Financial Controller
David Aldous	DA	Director, Financial Audit Practice and Quality
Alex Burfitt	AB	Audit Manager,
Hafsa Khan	HK	Secretary to the Board

Transactional Business:

Item 1 - Welcome & apologies for absence

1 The Chair, Michael Bichard (MB), welcomed members to the Board meeting of 20 July 2017. For this meeting, John Thorpe stepped down as an executive member to observe the meeting so that the Board remained quorate.

Declarations of Interest

2 There were no declarations of interest.

Minutes of the meeting of 15 June 2017

3 There was a minor amendment to the minutes of the meeting held on 15 June 2017 where the date and time of the next meeting was inaccurate, and some clarification of wording on the Diversity item. Subject to these changes, the Board approved the minutes to be published on the external NAO website.

Action Points

4 Members received the action log which included the Board Strategy Day actions. The Board agreed to delete the actions marked as 'propose delete'.

Matters Arising

5 Ray Shostak (RShy) said that the LT performance goals had still yet to be agreed and the C&AG mentioned that this would be discussed at the Remuneration and Nominations Committee meeting straight after the Board meeting.

Update from the Comptroller and Auditor General

6 The C&AG provided the Board with his routine update at the Board meeting. He mentioned that he spoke at the Public Sector Show at the ExCel Centre about the complexities of decision-making in government and how that can lead to poor value for money for the taxpayer.

7 He said he certified over 200 accounts and that audit teams had found that in some instances the quality of financial reporting had been poor. The chair requested that the C&AG let the Board know in advance when he intends to speak to journalists on the record.

Update on latest developments with PAC and Parliament

8 Adrian Jenner (AJ) provided the Board with an update on the latest developments in Parliament. He said Meg Hillier had been re-elected to the Public Accounts Committee and that there were indications of the likely Public Accounts Committee membership, although this was not finalised yet. The short guides would be ready for the Select Committees' evidence sessions on the annual report and accounts and the C&AG would offer a meeting to all Select Committee chairs in the autumn.

Good Governance:

Item 2 – Business Reports and Risk Register

9 Tim Valentine (TV) and Mark Allen (MA) introduced the Business Reports for June 2017. TV outlined the detailed issues relating to events that could effect our forecast outturn position, and the actions to return the NAO to a position whereby it has some resilience within its budget. He said the Finance Team and the Leadership Team continue to monitor the position closely. The C&AG said he was content with the actions taken to do. TV also noted that forward allocation rates were below our target but that directors were committed to updating allocations, following completion of the final audit season.

10 MA presented the risk register. There are no new risks since the meeting in June, however, the General Election risk was removed from the log, and the ratings for commercial exposure, and disaster recovery had increased from 'green' to 'amber'.

Operational Insight:

Item 3 – Business Improvement Programme - Benefits Realisation Update

11 Susan Ronaldson (RS) gave the Board an update on the benefits realisation on the Business Improvement Programme (BIP). She said that the forecast cashable benefits remain within range stated in the business case.

12 SR said Financial Force has entered into a strategic partnership with ADP for the delivery of future HCM functionality and we have the option of remain on the current FF HCM platform or transferring to ADP. A decision has yet to be taken. SR said that a further procurement exercise would be undertaken through the G-cloud 9 government framework.

Strategic Business:

Item 4 – Local Government

13 The Board discussed financial sustainability, capability, and capacity in local government. Abdool Kara (AK), and Alex Burfitt (AB) gave an initial presentation. A number of points were then discussed:

- There was strong interest from the board in the NAO undertaking work to examine issues and developments in areas of local authority activity such as economic development, planning, transport, housing and neighbourhood services – activities that had been squeezed by the pressure exerted on local authority budgets by pressures in social care. The board agreed that social care, particularly adult social care needed to remain a priority in our forward programme. MB stressed the value that we could bring by being able to set out the full picture of the range of pressures impacting across the whole system. The C&AG set out how we achieve this by building up the picture from multiple individual pieces of work.
- The implications of Brexit were discussed, not least the fact that it would dominate the Parliamentary timetable over the next two years. This in turn would leave some areas, such as adult social care and local government more broadly, potentially 'stranded' as there will be no space to take forward legislation.
- The board discussed the extent to which the NAO could draw more fully on the views of local auditors to develop our understanding of the variations between places. David Aldous talked through the extent to which this would be possible, and discussed the opportunities presented by the re-fresh of the Code in 2020. This led to a broader discussion about the status and quality of local audit work, and the extent to which the current audit regime was sustainable given fee reductions. The board considered the risks and implications of any potential local audit failure.
- The final discussion point related to the Grenfell Tower tragedy. The importance of understanding chains of accountability was stressed. Likewise, points were made about the importance of understanding the extent to which the sector's emergency planning capacity has been diminished in recent years. AK pointed out that it was likely to have remained strong in areas that regularly experienced emergencies (particularly from flooding), but not necessarily in other areas.
- Overall there was praise from the board for the paper and the discussion. The strategic direction set out in the paper by AK was supported by the board. The Board concluded that the NAO should continue to make progress in this area and demonstrate our value in this area.

Strategic Business:

Item 5 – Any Other Business

14 The Board received the meeting dates for the remaining financial year 2017-18, and the following financial year, 2018-19.

Date and time of next meeting:

Thursday 19 October 2017, 13:00-15:00 at the National Audit Office's office in Newcastle.