



National Audit Office

NAO BOARD MINUTES

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

Financial year 2017-18 – Board meeting

Room:	Tyne / Green 3.7 (VC London)
Location:	National Audit Office 4th Floor, St Nicholas Building St Nicholas Street Newcastle Upon Tyne, NE1 1RF
Date:	19 October 2017
Time:	12:50-15:00

Members		
Michael Bichard	MB	Chair
Amyas Morse	C&AG	Comptroller and Auditor General (C&AG)
Rob Sykes	RSy	Non-Executive Member
Ray Shostak	RSh	Non-Executive Member
Janet Eilbeck	JE	Non-Executive Member
Daniel Lambauer	DL	Executive Member, Strategy and Operations
Rebecca Sheeran	RSn	Executive Member, VFM
John Thorpe	JT	Executive Member, Financial
Attendees		
Abdool Kara	AK	Executive Leader, VFM Local Services
Kate Mathers	KM	Executive Leader, Financial
Stephen Smith	SS	Executive Leader, Financial
Max Tse	MT	Executive Leader, VFM Digital
Chloe Forbes	CF	Head of Corporate Affairs, Governance, and Strategy
Hafsa Khan	HK	Board Secretary
Tim Valentine	TV	Director, Finance
Andrew Jackson	AJn	Audit Manager, Local Service Delivery and User Experience
Darren Stewart	DS	Audit Manager, Local Service Delivery and User Experience
Phil Wherry	PW	Audit Principal, Local Service Delivery and User Experience
Paula Richardson	PR	Executive Assistant, Newcastle
Attendees via VC		
Adrian Jenner	AJ	Director Parliamentary Relations
Mark Allen	MA	Head of Legal and Policy
Angus Waugh	AW	Director, Digital Services

Transactional Business

Item 1 - Welcome & apologies for absence

1 The Chair, Michael Bichard (MB), welcomed members to the Board meeting which was held at the Newcastle Office on 19 October 2017. For this meeting, Rebecca Sheeran stepped down as an executive member to observe the meeting so that the Board remained quorate.

2 Abdool Kara sent his apologies for this meeting.

Declarations of Interest

3 There were no declarations of interest.

Minutes of the meeting of 20 July 2017

4 The Board requested some adjustments to the wording of the minutes to the minutes of the Board meeting held on 20 July 2017, and emailed their comments to the Secretary. Subject to these changes, the Board approved the minutes to be published on the external NAO website.

Action Points

5 There were no actions for discussion.

Matters Arising

6 There were no matters arising.

Update from the Comptroller and Auditor General

7 The C&AG updated the Board on his activities since the last Board meeting. He highlighted that at the annual Senior Management Conference, which took place in October and was attended by Directors and Executives Leaders, they heard from Meg Hillier (Chair of the PAC), who set out the areas of focus for the Committee of Public Accounts (PAC) over the coming year. They also heard from Tom Scholar (Permanent Secretary of HM Treasury) who covered the HMT's approach to leaving the European Union. At the conference, Directors and Executives Leaders also discussed the programme of work for Quarter 1 and Quarter 2 of 2018-19, and the Office's value management activities, he said.

8 The C&AG said he spoke at the Audit and Risk Assurance Committee Chairs Network where he reflected on the challenges of the most recent financial audit cycle, exiting the EU, and cyber security issues. He also updated the Board on a speech he gave at an Institute for Government event on capability and capacity in the civil service.

Update on latest developments with PAC and Parliament

9 The C&AG said that the PAC evidence sessions had restarted in October with renewed vigour. As part of the work that the Office is doing to build relationships with Select Committee's, the C&AG met with Maria Miller (Chair of the Women and Equalities Select Committee), Clive Betts (Chair of the Communities and Local Government Committee), Rachel Reeves (Business, Energy and Industrial Strategy Committee Chair), and Nicky Morgan (Chair of the Treasury Select Committee).

Good Governance

Item 2 – Remuneration and Nomination Committee

10 Ray Shostak (RShy) gave an update to the Board about the Remuneration and Nominations Committee meeting, held earlier in the day. There were three main discussion topics: succession planning; director development; and the new recruitment campaign, *Change Your World*. The Committee praised the *Change Your World* campaign and thanked staff for all of the work put into it.

Item 3 – Audit Committee

11 Janet Eilbeck (JE) gave an update to the Board about the Audit Committee meeting, held on 26 September. JE noted the overall positive external validation of the Director of Internal Audit and Assurance's self-assessment against Public Sector Internal Audit Standards (PSIAS).

12 JE highlighted the NAO's payroll provider's poor performance and that the Audit Committee would reconsider this issue at their next meeting in December.

13 JE discussed the Audit Committee's self-assessment review of its performance in 2016-17 and noted the NAO Chair should provide each of the non-executive directors with an appraisal of their performance. The Board Secretary will arrange appraisal meetings.

14 The Board approved the Audit Committee's programme of work for 2017-18, and received the Audit Committee's outlined work programme for 2018-19.

Item 4 – External value for money report from external auditors

15 The Board reviewed the external value-for-money report entitled *Delivery of benefits from NAO's IT enabled change programme*, and approved its submission to the Public Accounts Commission (tPAC). The Board reflected on the level of insight that the review shed on the Office's IT enabled change programme and JE said, to improve the process for further reviews, a lessons learned exercise was underway. The Board would be informed of the findings once completed.

16 The Board noted the management response to the recommendations in the 2017 external value-for-money report.

Item 5 – Business reports and risk register

17 Tim Valentine (TV), John McCann (JMc), and Mark Allen (MA) introduced the Business Reports for September 2017. TV said the forward allocation rates had improved compared to the previous month, but remained below target of 80%. Executive Leaders were supporting clusters to update their allocations on the system to the end of the year, as a priority.

18 TV said at the end of September the Office is forecast to end the year £0.6 million under its approved budget and that this forecast is appropriate at this stage of the year.

19 The Board asked about levels of compliance in respect to staff timecards and appraisals. The Board discussed how to support staff to complete their timecards on time each week. The Board also noted that the correspondence targets in the year to date was greater than 99% which was a significant improvement when compared to previous years.

20 MA presented the risk register. Since the July Board meeting, no new risks were added to the register but there were two risk ratings which had changed:

- FR2 The audit quality (value-for-money and Investigations): moved from 'green' to 'amber' due to the recent quality survey results which highlighted client engagement and teams rushing at the end of a study as crucial factors that lead to errors.

- GP4 EU referendum, Brexit: moved from 'red' to 'amber'. This was to reflect greater clarity in our 'EU exit' related forward work programme.

Item 6 – Public services network (PSN) contract

21 Angus Waugh updated the Board on the Public Services Network (PSN) contract. The lifetime contract cost with Vodafone for PSN services will be above the £500,000 threshold set for strategically significant contracts. In line with arrangements sets out in the Board's Schedule of Reserved Matters, the Board approved that the NAO enter into contract with Vodafone.

Operational Insight:

Item 7 – Leveraging our impact from Newcastle

22 Andrew Jackson (AJ), Paula Richardson (PR), Darren Stewart (DS), and Phil Wherry (PW) gave a presentation on the range of networking activities in which Newcastle colleagues are involved. There are three strands to this:

- Accountancy Institutes in the region: AJ described his work as a President of ICAEW Northern Society of Chartered Accountants. He said this helped grow the NAO's influence with accountancy profession in the region.
- Access Accountancy and Social Mobility Foundation (SMF): DS described that the Newcastle Office provides week-long internships in October each year for local students interested in the accountancy profession as part of Access Accountancy. DS also spoke how he has developed links with the newly opened Newcastle office of the SMF.
- Analyst Network North East (ANNE): PW and PR described their work to found the Analyst Network North East aimed at furthering links with those in other organisations working in statistical, analytical type-roles across public, private, and academic sector in the North East. The Board heard how Newcastle staff made a significant contribution to the network's third regional event, including a presentation from PW on statistical estimation and uncertainty.

23 The Board thanked colleagues for an informative presentation and encouraged them to share their experiences with those in the London Office.

Strategic Business:

Item 8 – NAO Strategy Report 2018-19 to 2020-21

24 Chloe Forbes (CF), and Tim Valentine (TV) presented the draft TPAC strategy document, *NAO Strategy 2018-19 to 2020-21*, to the Board and invited the Board to comment. This was the first draft of the Strategy to be submitted to the Board and the final draft will go to the Board meeting in November for approval.

25 The Board asked to see further details of the work programme for 2018-19 in addition to the description of the work programme themes described in Part 2 'Developing and applying our knowledge' of the draft strategy document. They also requested further detail of our staff forecasts be set out in Part Three 'Our resources' and that another updated version of the document be circulated via email to the Board.

Item 9 – Public Audit and the financial audit development plan

26 Kate Mathers (KM), Stephen Smith (SS), John Thorpe (JT), and David Aldous (DA) presented the financial audit development plan. A number of points were discussed:

- The strategic context is rapidly changing the complexity of public sector financial reporting.

- The NAO takes account of developments across the wider audit profession in shaping its own financial audit development plan.
- The financial audit work, along with the NAO's value for money work and investigations work, is a cornerstone of public accountability, providing assurance on public spending and helping to strengthen financial management in government. Along with value for money examinations and investigations, the C&AG's financial audit work is a key element of the public audit approach.
- Our financial audit work is used and valued by parliamentarians. In the last year, the Public Accounts Committee held hearings on the accounts of the Department for Education, Department for Health and the Whole of Government Accounts and HMRC. We have also provided 23 reports to other Parliamentary Committees to support their work.
- Our financial audit development plan focuses on the steps we are taking to ensure that our financial audit practice will continue to be best placed to provide high quality, value-adding, financial audit which helps Parliament hold government to account and helps support improvements in public services.
- We have around 450 financial audit staff and took on 60 graduates and 11 school leavers in our latest recruitment of trainees. Ensuring that our teams have the skills they need is a key part of the NAO's financial audit development plan.
- To support our continuing focus on quality we have applied root cause analysis to identify potential barriers to achieving further improvements in quality. The analysis has been informed by findings from the FRC's thematic reviews across the profession.
- The Board discussed the plan's actions and noted that the annual Quality Report would be submitted for review by the Board at its November meeting.

Any Other Business:

Item 10 – Roof Capital Works

27 The Board received a briefing on the roof capital works, and agreed that there was no need to carry out major capital works on the roof, and the £0.5 capital budget would be returned to Parliament. However, repairs on the specific points of failure will be looked into as part of the on-going maintenance programme.

Date and time of next meeting:

Thursday 16 November 2017, 14:30-16:30, NAO London Office.