



National Audit Office

NAO BOARD MINUTES

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

Financial year 2017-18 – Board meeting

Room:	Blue Mezz 1
Location:	National Audit Office London, SW1W 9SP
Date:	22 March 2018
Time:	14:30-16:30

Members		
Michael Bichard	MB	NAO Chair
Amyas Morse	C&AG	Comptroller and Auditor General (C&AG)
Janet Eilbeck	JE	Non-Executive Member
Rob Sykes	RSy	Non-Executive Member
Clare Tickell	CT	Non-Executive Member
Ray Shostak	RShk	Non-Executive Member
Daniel Lambauer	DL	Executive Member, Strategy and Operations
John Thorpe	JT	Executive Member, Financial
Attendees		
Martin Smith	MS	Independent member of Audit Committee (observer)
Kate Mathers	KM	Executive Leader, Financial
Abdool Kara	AK	Executive Leader, VFM Local Services
Stephen Smith	SS	Executive Leader, Financial
Max Tse	MT	Executive Leader, VFM Digital
Chloe Forbes	CF	Head of Corporate Affairs, Governance, and Strategy
Helene Morpeth	HM	International Liaison and Governance Manager
Tim Valentine	TV	Director, Finance
Mark Allen	MA	Head of Legal and Policy
John McCann	JMc	Director, Parliamentary Relations
Joshua Reddaway	JR	Director, Mass Market Operations
Emma Willson	EW	Audit Manager, Delivering Major Projects
Hafsa Khan	HK	Board Secretary
Apologies		
Rebecca Sheeran	RShn	Executive Member, VFM
Adrian Jenner	AJ	Director Parliamentary Relations

Transactional Business:

Item 1

Welcome & apologies for absence

- 1 Michael Bichard (MB) welcomed members to the Board, and noted that he had received his Letters Patent, which confirmed his reappointment as Chair of the NAO for a further three years.
- 2 Rebecca Sheeran (RShn) sent her apologies for this meeting.

Declarations of Interest

- 3 There were no declarations of interest.

Minutes of the meeting of 18 January 2018

- 4 The Board approved the minutes of the meeting held on 18 January 2018 to be published on the external NAO website.

Matters Arising

- 5 The Board ratified the NAO Estimate 2018-19 via online correspondence, and the Public Accounts Commission evidence session was held on 21 March 2018, where the Commission approved the NAO Estimate 2018-19.

Action Log

- 6 The Board received its action log. There were two actions marked 'propose delete' having been completed. The Board agreed to delete these two actions from the action log.

Update from the Comptroller and Auditor General

- 7 The C&AG updated the Board on his activities since the last Board meeting:
 - Appearing as a witness, before the Public Accounts Commission, alongside MB and Daniel Lambauer (DL), on 21 March 2018 to discuss the NAO Estimate 2018-19.
 - Speaking events: a launch event for the National Audit Office at the University of Birmingham Tax Centre; at the Government Commercial Leadership Conference; and at the DCMS Arms Length Bodies Audit and Risk Chair Event.
 - Visiting HMP Belmarsh to inform further the NAO's work on the Ministry of Justice.

Update on latest developments with PAC and Parliament

- 8 Adrian Jenner sent his apologies for this item. The C&AG said he appeared as a witness at the Liaison Committee's evidence session, and attended the Public Accounts Committee & Public Administration and Constitutional Affairs Committee joint evidence session as part of its inquiry into sourcing public services and lessons to be learned from the collapse of Carillion.

Good Governance:

Item 2 – Audit Committee Update

- 9 Janet Eilbeck (JE) updated the Board about the Audit Committee's meeting on 27 February 2018. She reported that the Committee suggested a sensible mitigation against the continuing vulnerabilities of the financial impacts pipeline, and would begin to start piloting some of the value management case studies as soon as possible. She alerted the Board that the external audit contract would expire with effect from 31

March 2019, and the Committee had agreed the timeline and approach to the tendering of the new audit contract. The Committee will make a decision on the preferred contract, which will be sent to the Board at their meeting on 25 October 2018.

Item 3 – Remuneration and Nomination Committee Update

10 Ray Shostak (RShk) updated the Board about the Remuneration and Nomination Committee meeting held in the morning of 22 March 2018. RShk said it was Clare Tickell's first meeting as a member of the Committee. RShk thanked the Leadership Team for the work on their year-end appraisals, and the Committee endorsed the C&AG's scores of his Leadership Team for the financial year 2017-18.

11 The Board agreed with the recommendation from the Committee that the executive members of the Board for financial year 2018-19 would be, Daniel Lambauer, Kate Mathers, and Abdool Kara. They will take up post at the next Board meeting on 19 April 2018.

Item 4 – Review of the non-executive directors roles on Committees

12 MB said that the non-executive directors had, had a meeting before the Board to discuss their succession plan. The Board agreed that:

- Rob Sykes will remain as Senior Independent Director until his second, and final, term finishes on 31 December 2020.
- Janet Eilbeck will remain as Chair of the Audit Committee until her first term finishes on 17 October 2019.
- Ray Shostak will chair his final Remuneration and Nomination Committee meeting on 20 October 2018, where he will stand down as chair of the Remuneration and Nomination Committee. Ray's second, and final, term finishes on 31 December 2020. Ray will remain a member of the Remuneration and Nomination Committee.
- Clare Tickell will chair the Remuneration and Nomination Committee from 21 October 2018 until her first term finishes on 09 January 2021.

13 The Board noted that MB's second, and final, term as Chair of the National Audit Office finishes on 09 January 2021.

Item 5 – NAO Board compliance with Terms of Reference

14 MB presented the Board's annual review of its compliance with its terms of reference for the financial year 2016-17. The review showed that the Board had not: included the performance of its two Committees (the Audit, and Remuneration and Nomination Committee) in its evaluation this year. This was because the evaluation focussed on the Board's way of working. The review also showed that the Board did not fully explore its training needs. The Chair would like to look into the training needs of the Board this year.

Item 6 – Number of NAO Board meetings & Programme of work

15 The Board agreed to reduce its number of meetings to from eight to six, and strategy days from two to one. The NAO's Board Terms of Reference will be updated to reflect these changes, to be approved at the next Board meeting.

16 The Board received its programme of work. JE said that future Board meetings in June should be scheduled earlier in the month to allow enough time for the Annual Report and Accounts to be approved by the Board.

17 The Board agreed to receive its programme of work as part of the Board papers for each meeting.

Item 7 – Annual Report and Accounts and Transparency Report 2017-18

18 Helene Morpeth (HM) outlined the plan for the production of the Annual Report and Accounts 2017-18, and the Transparency Report 2017-18.

19 The Board agreed the Leadership Team's recommendation to include a short paragraph in the Annual Report and Accounts on the NAO's complaints procedure including the number of complaints received in 2017-18. The Board also agreed the approach to the communications plans.

Item 8 – Business Report and Risk Register

20 Mark Allen (MA) presented the Risk Register. There were was one change to the risk register where three 'green' risks had been removed:

- *MP2 BIP Benefits Realisation*
- *FR5 Correspondence*
- *F2 Commercial Exposure*

21 *FR9 General Data Protection Regulation* had been updated to reflect the significant level of work underway on this.

22 Tim Valentine (TV) and John McCann (JMc) introduced the Business Reports for March 2018. TV discussed the forecast outturn, financial impacts, and the major outputs. The Board queried the year-end budget underspend and TV responded that it was due in part to unplanned changes in the audit portfolio where income had increased, and business rates reduced; both of which could not be foreseen when the NAO Estimate was prepared. There were also cases where teams have not used their budget, and TV would look into the causes of why that may be following the year-end.

23 The Board thanked the team for successfully managing the correspondence targets in the year to date.

Item 9 – General Data Protection Regulation Update

24 MA and JMc provided the Board with an overview of the work underway to prepare the NAO for the introduction of the EU General Data Protection Regulation (GDPR), which will come into force on 25 May 2018. The Board discussed the progress to date, and the changes for the NAO, which included: updating policies and providing guidance and training to staff, updating templates, providing information on the NAO external website, and the appointment of a Data Protection Officer.

25 The Board identified that they would need training in this area, and asked the Secretary to arrange this.

Operational Insight:

Item 10 – Operational Planning 2018-19

26 TV and Chloe Forbes (CF) presented the NAO's operational planning 2018-19. The Board discussed the operating budget for 2018-19, including the distribution of the resources across the Office and consistency with the NAO's Estimate approved by the Public Accounts Commission. The Board also received the NAO's value for money work programme for Q3 and Q4 2018-19, which has been approved by the C&AG during January 2018.

Strategic Business:

Item 11 – Strategic Discussion: Contract and Commercial management

27 Joshua Reddaway (JR), and Emma Willson (EW) presented the Board's strategic discussion on contract and commercial programme management. The discussion covered the following points.

- JR introduced the paper and providing the Board with context about commercial relationships in

government and how the NAO's value for money and investigation work analysed these relationships over the last five years. Some recent examples included: *Crown Commercial Service (2016)*, *New generation Electronic monitoring (Jul 2017)*, *The NDA's Magnox contract (Oct 2017)*.

- JR set out how the NAO has developed its approach to commercial work since 2013, and JR highlighted the systemic commercial themes from our work, and their impact across government. The NAO had identified key messages around commercial capability, where government has made progress, and provided insights. JR talked through key messages in the NAO report *Transforming Government's contract management (September 2014)*.
- How the NAO Community of Practice team works across four work strands: Learning and Development, Commercial Audit Quality, Commercial Knowledge, and External Influencing. Bringing these together helps us identify the insights from NAO work
- JR discussed the six systemic commercial themes his team identified across government; accountability, managing contracts, capability, managing markets, recognising government as one customer, and looking at new commercial models.
- JR concluded the discussion by telling the Board about the vision and mission of the commercial team. The NAO's Carillon work provides the basis for the next step change for how both the NAO and government consider commercial contracts.

28 The Board found the discussion insightful, and thanked JR and EW for the paper.

Date and time of next meeting:

Thursday 19 April 2018, 14:30-16:30