



National Audit Office

NAO BOARD MINUTES

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

Financial year 2018-19 – Board meeting

Room:	Kielder / Green 3.8
Location:	National Audit Office St Nicholas Building, Newcastle Upon Tyne, NE1 1RF
Date:	25 October 2018
Time:	13:00-15:00

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
Dame Clare Tickell	CT	Non-Executive Member
Ray Shostak	RShk	Non-Executive Member
Kate Mathers	KM	Executive Member, Financial
Abdool Kara	AK	Executive Member, VFM Local Services
Daniel Lambauer	DL	Executive Member, Strategy and Operations
Attendees		
Rebecca Sheeran	RShn	Executive Leader, VFM
John Thorpe	JT	Executive Leader, Financial
Stephen Smith	SS	Executive Leader, Financial
Max Tse	MT	Executive Leader, VFM Digital
Maria-Christina Eskioglou	MCE	Head of Corporate Affairs, Governance, and Strategy
Adrian Jenner	AJ	Director, Parliamentary Relations
Tim Valentine	TV	Director, Finance
Mark Allen	MA	Head of Legal and Policy
John McCann	JMc	Director, Parliamentary Relations
Zaina Steityeh	ZS	Audit Manager
Chris Coyne	CC	Audit Manager
Andrew Jackson	AJ	Audit Manager
Hafsa Khan	HK	Board Secretary

Transactional Business:

Item 1

Welcome & apologies for absence

1 Michael Bichard (MB) welcomed members to the Board meeting at the NAO office in Newcastle.

Declarations of Interest

2 There were no declarations of interest.

Minutes of the meeting of 28 June 2018

3 The Board approved the minutes of the meeting held on 28 June 2018 to be published on the external NAO website.

Matters Arising

4 The Board noted that the Corporate Seal had been used for the deeds to let NAO Office space, and for the change to the providers of the Civil service Defined Contribution pension schemes.

Action Log and programme of work

5 The Board received its action log. The action for the non-executive directors to receive unconscious bias training remained outstanding, and the Board agreed the non-executive directors would receive new links to access the training.

Update from the Comptroller and Auditor General

6 The Board congratulated the C&AG and Rebecca Sheeran on the media coverage, and her appearance on the BBC news regarding the NAO report: *The UK border: preparedness for EU exit*. The C&AG also updated the Board on his activities since the last Board meeting:

- The C&AG's financial audit practice delivered over 300 audits before the pre-recess deadline of 24 July, including the BBC.
- Speaking at the Local Government Association annual conference on the topic of audit social care; and speaking at a network of Departmental audit committee chairs on findings from the audit cycle recently concluded.

Update on latest developments with PAC and Parliament

7 Adrian Jenner (AJ) provided the Board with an update from Parliament, and recent work with the Public Accounts Committee. He informed the Board about the changes to the members of the Public Accounts Committee. The C&AG said that he has continued to his work to strengthen relationships with MPs and met with Esther McVey (Secretary of State for Work and Pensions), Lilian Greenwood (Transport Committee Chair), Frank Field, Richard Bacon, Margaret Hodge, and Philip Dunne.

Good Governance:

Item 2 – Note of Board Strategy Day

8 The Board received and noted the minutes of the Board's annual strategy day held on 14 September.

Item 3 – Audit Committee Update

9 Janet Eilbeck (JE) provided the Board with an update from the Audit Committee meeting held on 12 June 2018. The Board received a summary note of the meeting, and the minutes. JE noted that the Committee discussed the possibility of bringing forward the production, audit, and laying of the NAO's annual report and accounts 2018-19. The Board agreed that they would discuss this possibility at the next Board meeting in November.

10 JE raised her concerns with the levels of non-compliance in clusters following the internal audit progress reports. She told the Board that the Committee agreed the recommendations from the Director of Internal Audit, and that clusters should be held accountable on compliance. The C&AG assured the Board that compliance is taken seriously and said the Leadership Team would monitor cultural compliance.

11 JE also mentioned the C&AG's agreement to host the next meeting of the chairs of central government audit committees (ARAC) next spring.

12 The Board approved the programme of work for the Audit Committee in 2018-19.

Item 4 – External Audit of the NAO

13 The Board received the external auditor, Crowe's, 2018 value for money review on the NAO's contract management. JE said that the topic of contract management had not had a lot of change over the years, so the report was accompanied by a set of detailed recommendations for improvement which had been approved by NAO management. JE said that it was important to carry out the lessons learned exercise. The Board approved this report for submission to the Public Accounts Commission.

14 The Board received and noted the follow up paper on the recommendations made in the 2017 external audit value for money report on the NAO's IT enabled change programme.

15 The Board received the recommendation from the Audit Committee on the preferred firm as the NAO's external auditor for the next three years, with the possibility of a one-year extension. The Board approved the Audit Committee's recommendation and confirmed that Crowe would be the NAO's external auditor from the period of 01 April 2019 to 31 March 2022.

Item 5 – Remuneration and Nominations Committee update

16 Clare Tickell (CT) provided the Board with a verbal update on the Remuneration and Nominations Committee meeting held earlier in the morning. She noted that this was her first meeting as Chair of the Committee. She said that the Committee had a good discussion on director development, and the overview landscape of the external pay review. The Board would approve the Committee's programme of work at its next meeting in November.

Item 6 – Business Report and Risk Register

17 Mark Allen (MA) presented the latest risk register. The Board agreed with the change of the rating from Amber to Green for the risk *FR8 Transition Management*. The Board discussed the risks relating to diversity. Kate Mathers (KM) told the Board about the recent changes in the governance structure at the NAO to ensure that Diversity remained a strategic focus. She informed the Board about the new Diversity Committee, and that she was Chair of the Diversity and Inclusion Operational Committee which included members of the staff networks, People Directors, Human Resources and Dignity at Work leads.

18 The Chair asked about diversity in the NAO's external work, and Abdool Kara (AK) assured the Board that it remained an important factor in the NAO's value for money work. He said that certain studies were aimed to look at protected characteristics, and the NAO will continue to embed diversity in its work.

19 Tim Valentine (TV) and John McCann (JMc) presented the Business Reports which were reasonably well for its period. Performance targets were being met on correspondence as there were no late responses in August and September. The financial impacts were also on target since issued to members of the Board.

Operational Insight:

Item 7 – NAO365 update

20 Daniel Lambauer (DL) provided the Board with a verbal update on the latest developments on the NAO's move to Office365. DL told the Board about facilitating a session for the non-executive directors to discuss how the internal IT changes would affect them, and what the NAO could provide for them.

Strategic Business:

Item 8 – NAO Strategy 2019-20 to 2021-22

21 Maria-Christina Eskioglou (MCE), and TV presented the first draft of the NAO Strategy 2019-2020 to 2021-22 to the Board. Overall, the Board were pleased with the Strategy but raised a few points on:

- The wording and tone of the report. The Board agreed that the Strategy needed to have more emphasis on the information about increasing the NAO's influence, and the accountability role of the NAO. MCE told the Board the Strategy would be proof-read again before the Board are asked to approve it in a few weeks.
- The NAO's resources. Due to the increase of financial audit work from the new bodies audited, the Strategy proposed to increase staffing levels. It was important to note in the Strategy the pay differentials. The Board agreed that the Strategy should reflect the new challenges taken on by the NAO. The Board briefly discussed the NAO's estimated costs on subcontracting.

22 TV and MCE agreed to circulate the revised version of the Strategy following comments from the Board. The Board agreed to approve the Strategy via email.

Item 9 – Presentation from Newcastle Office

23 Zaina Steityeh (ZS), Chris Coyne (CC), Andrew Jackson (AJ), Elliot White (EW), Tom Onions (TO), Tori Carroll (TC), Louise McLeod (LM), and Michael Burke (MBe) were present to discuss some of the work that NAO Newcastle staff undertook during the year. Colleagues explained to the Board the financial audit work on the Nuclear Decommissioning Authority and using value for money work to aid audit opinions. Colleagues explained that the integrated approach put the NAO in a good place.

24 Colleagues showcased the awards the NAO Newcastle office won, and commented on the consistency of being short listed for awards each year. The NAO Newcastle office has continued its work with the Analyst Network NorthEast (ANNE), and discussed the collaboration of staff at the ANNE summer conference. EW told the Board about mentoring sandwich students to enhance their careers.

25 Colleagues also discussed the work that they have been doing in the local area on recycling package waste. Colleagues provided a report to the Environmental Committee, and the Departments involved found it really useful. The Chair said that this was a great example of the other work that the NAO does outside of the Public Accounts Committee remit.

26 The Board thanked colleagues for a deep-dive discussion to inform members about the impact of the NAO in the North of the UK.

Any Other Business

27 JE challenged executive members of the Board about what the NAO's thoughts and future plans were on Information and Technological audits. The Board agreed that JE's questions would focus the strategic discussion at the next Board meeting in November.

Date and time of next meeting:

Thursday 29 November 2018, 14:30-16:30