



National Audit Office

## NAO BOARD MINUTES

Meeting held on 25 April 2019 from 14:30 to 16:30

Members		
Michael Bichard	MB	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
Daniel Lambauer	DL	Executive Member, Strategy and Operations
Stephen Smith	SS	Executive Member, Financial Audit
Max Tse	MT	Executive Member, VFM and Digital
Attendees		
Abdool Kara	AK	Executive Leader, Local public services
Kate Mathers	KM	Executive Leader, Financial Audit
Rebecca Sheeran	RShn	Executive Leader, VFM
John Thorpe	JT	Executive Leader, Financial Audit
Maria-Christina Eskioglou	MCE	Head of Strategy and Corporate Affairs
Meredith Brown	MB	HR specialist (item 11)
Adrian Jenner	AJ	Director, Parliamentary Relations (items 7 and 14)
John McCann	JMcC	Director, HR (item 11)
Hannah McNicoll	HMcN	Director, External Relations (item 14)
Tim Valentine	TV	Director, Finance (item 12)
Dante Kellermam-Thompson	DKT	Administrative trainee (entire meeting)
Helene Morpeth	HM	Board Secretary and interim Head of Governance

### Transactional Business

#### Item 1 - Welcome & apologies for absence

1.0 Michael Bichard (Chair) welcomed members and attendees to the meeting. He extended a special welcome to Daniel Lambauer, Stephen Smith and Max Tse in their capacity as Executive Members of the Board for the 2019-20 financial year.

1.1 Members noted there were no apologies for absence.

#### Item 2 - Declarations of Interest

1.2 There were no declarations of interest.

#### Item 3 - Minutes of the meeting held on 28 March 2019

1.3 The Board approved the minutes of the meeting held on 28 March 2019 including their publication on the NAO's external website subject to an amendment to record the Board's approval of the C&AG's recommendation that Daniel Lambauer should be appointed to the Board as Executive Member for 2019-20.

#### **Item 4 - Action log**

1.4 The Board noted the two open actions on the action log were in hand and on track for completion by the end of the calendar year.

#### **Item 5 - Use of NAO corporate seal**

1.5 The Board authorised the Chair to sign the Register of Sealing to record the Board's approval of the use of the NAO seal on 5 April 2019 in relation to the lease between the NAO and the Secretary of State for Housing Communities and Local Government (on behalf of the Office). It was agreed that in future, when it is not possible to notify the Board of the use of the seal, and documents are sealed in between meetings of the Board, the Board Secretary should contact the Chair by telephone or email to alert him to the situation.

#### **Item 6 - Update from the Comptroller and Auditor General**

1.6 The Comptroller and Auditor General (C&AG) provided the Board with an update on his activities since the last meeting, including his presentation on 9 April to the network of Department Audit and Risk Committee Chairs on the importance of long-term planning and the quality of information, and the role that Audit Committees should play to encourage sound decision making.

1.7 The C&AG updated the Board on the latest developments in relation to future changes to audit regulation following Sir John Kingman's review of the Financial Reporting Council. He shared his views on the potential risk to the C&AG's statutory independence and reporting rights to Parliament, arising from any new quality inspection regime. The Board discussed implications and risks and it was agreed that a further discussion should take place at the Board meeting in May.

#### **Item 7 - Update on latest developments with Parliament**

1.8 The Board noted Adrian Jenner's update on key developments in Parliament following the Easter recess, highlighting in particular the C&AG's engagement with Select Committee Chairs, and the C&AG's attendance at the PAC evidence sessions on the Apprenticeships programme progress review, Local government governance and accountability and Cyber Security in the UK.

### **Good Governance**

#### **Item 8 - Appointment of Board Secretary**

1.9 The Board approved the appointment of Helene Morpeth as Interim Head of Governance until an open competition is run in the early autumn. Members noted the expanded role included acting as Board Secretary.

#### **Item 9 – Remuneration and Nominations Committee annual report**

1.10 The Board noted the annual report of the Remuneration and Nominations Committee.

#### **Item 10 – 2018-19 annual report and accounts, and transparency report**

1.11 The Board Secretary introduced the 2018-19 Annual Report and Accounts and the 2018-19 Transparency Report. She thanked the Board for their cooperation and engagement, outside the normal Board meetings, to secure the approval of the wider impacts case studies and the financial impacts in order to meet the shortened timeframe for the production of both reports, to achieve sign off by the C&AG before the end his tenure on 31 May 2019.

1.12 Turning to the Annual Report and Accounts, the Board Secretary highlighted the inclusion of two new headings:

- a new section entitled 'where we work' aimed at including the Newcastle office in NAO's corporate reporting. In addition the new section gives more prominence to the BPR building

including its interesting history; and

- a new section setting out in more detail the impact of NAO's work on citizen's lives. The rationale for this is to provide greater visibility to individual reports, for example Windrush and Universal Credit, that have made a strong impact during the reporting year but where associated recommendations may not have translated into wider impact case studies in time for inclusion in the Annual Report. This is because of the time lag required for some recommendations to translated into measurable impacts, and the lengthy impacts approval process.

**1.13** The Board commented that more prominence should be given to NAO's achieved efficiency gains. In addition, members commented the report was rather long and enquired whether more could be done to lift it. The Board Secretary responded that the highlights section at the front of the report, still to be drafted, should provide a good and concise snapshot of the achievements during the year. Other than seeking clarification on some points of detail, which was provided during the course of the discussion, the Board endorsed the tone, completeness and overall balance of the draft annual report and accounts.

**1.14** The Board Secretary then introduced the draft Transparency Report and explained that whilst it is produced to meet specific professional requirements, it complements the Annual Report and Accounts and provides a good insight to the audit practices at the NAO. She added that the report is subject to review by the Financial Reporting Council on a sample basis. The Board endorsed the draft with no further comment noting that it would receive a final copy at its May meeting.

## **Item 11 – Diversity and Inclusion annual report**

**1.15** Meredith Brown (MB) introduced the 2018-19 draft Diversity & Inclusion (D&I) Annual Report which summarises the actions and progress against the first year of the three-year D&I strategy. She reported that whilst the D&I strategy focusses on three diversity characteristics (gender, ethnicity and disability) the annual report highlights inclusion more widely including the work of the staff networks.

**1.16** MB reported that good progress has been made with refreshing the NAO trainee and selection process to reach candidates from under-represented groups including more active management of the candidate pipeline to encourage more women to progress their applications. In other areas the office has yet to make sufficient progress for example NAO's workforce is less diverse at more senior levels and engagement among disabled colleagues continues to be comparatively low. Further efforts will be made in the next 12 months to address these issues, in order to make more tangible and sustained improvements.

**1.17** Following discussion on progress on D&I, the Board commented that the C&AG's foreword should be updated to reflect more positively the NAO's achievement's and current position; there should be a greater emphasis in the report on sector context and the report would benefit from additional data to further support a discussion around social mobility.

## **Item 12 – Business Report**

**1.18** Tim Valentine presented the business report to end March 2019 highlighting:

- the NAO has finished the year with an outturn of £65.7 million which represents a variance of £1.8 million against the NAO's annual budget of £67.5 million. The variance is a consequence of staff numbers being lower than planned. The final outturn figure is subject to year-end checks;
- 66 major outputs have been delivered during the year, representing a slight increase over the last year;
- the financial impact process for 2018 is now closed, and as reported at the Board meeting in March the office will claim a financial impact in the region of £540 million against a target of

££674 million. The process for collecting impacts for 2019 is now underway; and

- performance against other indicators is in line with forecasts previously reported.

## **Operational Insight**

### **Item 13 – Board strategy day**

**1.19** The Board Secretary outlined the proposed structure for the next Board strategy day on 16 September which would be attended by the next C&AG. She reported further details would be shared with the Board following consultation with the incoming C&AG.

## **Strategic Business**

### **Item 14 – Strategy Discussion: client and Parliament feed-back**

**1.20** Adrian Jenner and Hannah McNicoll presented respective papers on the results of the IPSOS MORI 2018 client feed-back report and the IPSOS MORI 2018 survey of MPs. The Board noted that feedback from these key external stakeholders was overall positive and results across a range of survey questions had improved compared to 2017. The Board discussed some limitations with the feed-back process itself and commented positively on the proposed recommendations to shorten survey questions to increase response rates including timeliness of reporting.

## **Any Other Business**

**1.21** There was no other business.

### **Date and time of next meeting:**

**1.22** The Board noted Thursday 23 May 2019, 14:30-16:30