



National Audit Office

NAO Board Minutes

Meeting held on 23 May 2019 from 14:30 to 16:30
157-197 Buckingham Palace Road, London SW1W 9SP

Present		
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
Maria-Christina Eskioglou	MCE	Head of Strategy and Corporate Affairs
Mark Allen	MA	Head of Policy and Legal (items 2.4-2.7 inclusive)
Meredith Brown	MB	HR specialist (items 2.14-3.4 inclusive)
John McCann	JMcC	Director, HR (items 2.14-3.4 inclusive)
Tim Valentine	TV	Director, Finance (items 2.4-2.10 inclusive)
Angus Waugh	AW	Director Digital Services (items 2.1-2.3 inclusive)
Staff network and Dignity and Work representatives	N/A	Items 2.14-3.4 inclusive
Dante Kellermam-Thompson	DKT	Administrative trainee (entire meeting)
Helene Morpeth	HM	Board Secretary and interim Head of Governance

Item 1

Transactional Business

Welcome and Apologies for absence

- 1.1 Michael Bichard (Chair) welcomed members and attendees to the meeting noting this would be the last meeting attended by Sir Amyas in his capacity as Comptroller and Auditor General (C&AG). There were no apologies for absence.

Declaration of Interests

- 1.2 There were no additions or changes to declarations of interest.

Minutes of the last meeting

- 1.3 The Board approved the minutes of the meeting held on 25 April 2019 including their publication on the NAO's external website.

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.

C&AG update

- 1.5 The C&AG provided his regular update to the Board on activities since the last meeting. He reported:
- i. the publication of 8 wider assurance reports (4 value-for-money reports and 4 investigations);
 - ii. his attendance at 4 evidence sessions of the Committee of Public Accounts. He had also provided evidence to 2 select committees: the Ministry of Housing, Communities and Local Government committee to assist their inquiry into local government finance and the 2019 spending review, and the Work and Pensions committee on the topic of Carer's Allowance;
 - iii. his engagement with members of the Public Accounts Commission (TPAC) to discuss his proposed response to the government's consultation on the Kingman review (more on this under the agenda item on the Kingman Review);
 - iv. his engagement with Gareth Davies on several occasions over the last months as part of the incoming C&AG's transition and induction to the role.

Update from the Audit Committee

- 1.6 Janet Eilbeck (JE) provided a verbal update on the outcome of the Audit Committee meeting held earlier in the day as follows:
- i. The Committee recommends the 2018-19 Annual Report and Accounts for approval by the Board based on its scrutiny of the report and the assurances received from the external auditor, the finance team, internal audit, on the reliability of NAO's financial reporting. The external auditor will be providing a positive opinion on the NAO's financial statements.
 - ii. The Committee noted the emerging findings from the external review on NAO's impact reporting. The external auditor concludes the NAO's financial impact measure is narrow and does not capture the full breadth of NAO's impact on public service improvement. The report contains several insightful recommendations. The final report will be presented to the Board in the autumn and will include the results of an external benchmark exercise with a number of

Supreme Audit Offices. As part of the remaining fieldwork the external auditor will also interview the incoming C&AG.

- iii. The Committee will be recommending a slight change to the role of the Senior Independent Director (SID) in relation to the internal whistleblowing policy for consideration by the Leadership Team ahead of formal approval, if thought fit, by the Board.
- iv. The Director of Finance had provided a briefing on issues that had emerged in recent weeks on the transmission of data from NAO's third party payroll provider to My CSP (the administrators of the Civil Service Pension Scheme).

Item 2

Good governance

Business case approval: Connect Project

- 2.1 Angus Waugh (AW) presented the business case for the next generation of digital communications for the NAO, referred to as the 'connect project'. He reported the aim of the project was to replace legacy telecommunications services and devices to enable, longer term, the introduction of an integrated strategic digital communications solution for the NAO. He covered the two distinct areas of risk relating to risk to delivery and the project's overall impact on the NAO's corporate technical risk profile. The cash expenditure was more than £500,000 and therefore required Board approval. AW added the project has been scrutinized by the Change Management and Assurance Committee, and subject to review by the Leadership Team.
- 2.2 The Board challenged management on 3 areas: whether the tactical solution (telecommunications replacement) was compatible with the end solution; the training that would be provided to staff on functionality; and resource availability, in light of recent turnover of key people in digital services. AW and Daniel Lambauer (DL) provided assurance to the Board on the actions in place to mitigate against the issues raised.
- 2.3 The Board approved the business case however stressed the importance of training and ensuring people with the right skills were in place in digital services to ensure smooth and cost-effective delivery of the project.

Business Reports

- 2.4 The Board received the risk register to end April 2019, noting the addition of a new risk on the impact of the Kingman Review. The Board engaged in a discussion on the risk relating to Audit quality following a verbal update provided by Stephen Smith (SS) on the draft results, received by the C&AG earlier in the day, from the Financial Reporting Council's (FRC) review of a sample of 2017-18 audits.
- 2.5 SS reported the sample consisted of seven of NAO's financial audits: 4 relating to Company Act audits and 3 from the wider practice. The findings of the FRC review show where audit quality has been maintained as well as further areas to address. He reported this would be done through the Financial Audit Development Plan which is the change project designed at improving and evolving the NAO's financial audit practice so the NAO's work continues to demonstrate its quality and value. Kate Mathers (KM) reported on actions that have been taken during the 2018-19 audit cycle to respond to the 2017-18 FRC findings including briefing all teams on the FRC and cold review findings as part of the Spring Financial Audit Update. The Board agreed to have a further discussion on the outcome of the FRC's review, and the way forward, at its next meeting.
- 2.6 The Board agreed to delete, from the register, the risk relating to GDPR on the basis that all necessary action to comply with the Data Protection Act effective from 25 May 2018 had been applied with, robust oversight arrangements were in place, and the draft reports received from

internal audit, and a separately commissioned external review, had provided a positive opinion on compliance.

- 2.7 The Board noted the business report to end April 2019.

Approval of the NAO 2018-19 Annual Report and Accounts

- 2.8 Helene Morpeth (HM) presented the second draft of the 2018-19 Annual Report and Accounts following the Board's review of the first draft at its meeting in April. She reported that all comments from the Board's initial review were reflected in the second draft. She highlighted the main changes between the first and second drafts covering: the inclusion of a description of the comptroller function, the 14 wider case studies which had been approved by audited bodies and the modification of the risk table to achieve better alignment with the corporate risk register. HM also explained that the quality assurance process had involved internal audit, external audit, the finance team and the Leadership Team. She drew the Board's attention to the addition of a timeline reflecting the key developments during Sir Amyas' ten year-tenure.
- 2.9 JE commented that the Board would benefit from a briefing on the comptroller function and it was agreed HM would arrange for this to happen at a future meeting of the Board.
- 2.10 The Board suggested, considering the implications of the Kingman Review, that the C&AG may wish to update his Statement to add a reference to the importance of the independence of the C&AG from government.
- 2.11 The Board approved the submission of the 2018-19 Annual Report and Accounts to TPAC, for TPAC to lay in Parliament on 5 June 2019. The Board noted the Annual Report and Accounts would be published on the NAO's external website the following day.

Approval of the 2018-19 NAO Transparency Report

- 2.12 HM presented the second draft of the 2018-19 Transparency Report following the Board's review of the first draft in April. She reported on the addition of a new section on culture to reflect areas highlighted in the FRC's thematic review on audit culture and associated recommendations that firms should be doing more work in this area, including disclosing more information.
- 2.13 The Board approved the publication of the 2018-19 NAO Transparency Report on the NAO's external website, alongside the 2018-19 Annual Report and Accounts.

Approval of the 2018-19 Diversity and Inclusion (D&I) Annual Report

- 2.14 Meredith Brown (MB) presented the updated 2018-19 D&I annual report following initial consideration by the Board in April. The report included a stronger message by the C&AG, in his introduction, on the positive progress made by the NAO on its diversity journey, as per the suggestion of the Board at its meeting in April.
- 2.15 The Board approved the D&I annual report for publication on the NAO's external website.

Item 3

Strategic Insight

Diversity and Inclusion discussion with the NAO staff networks and the dignity at work leads (DaW)

- 3.1 The Chair extended a warm welcome to the representatives of the NAO's 7 staff networks in addition to the Dignity at Work (DAW) representative. The Chair explained the agenda item provided an opportunity to hear and discuss, with NAO people, their perspective on D&I issues and progress with the D&I strategy.
- 3.2 The networks presented their perspective covering positives and opportunities, including concerns and challenges. They welcomed the tone and positioning of the D&I strategy and its emphasis on inclusion for all, and a strategic approach rather than simply a set of HR policies.

They also welcomed the energy and focus of the Leadership Team which provides a significant boost to the drive to embed diversity and inclusion throughout the office. On the question of challenges, the networks raised completeness in that Social Mobility, Age, LGBT, and Religion and Belief, are not explicitly covered in the D&I strategy however this does not mean that the office is not reaching out to colleagues with these characteristics. In addition, they referred to the fact that whilst there is a lot of activity to raise awareness on mental health, this aspect is missing from the D&I strategy.

- 3.3 The Board engaged in a wide-ranging discussion on D&I covering the important role played by the networks in supporting their respective communities and giving them a voice. The meeting agreed that it is by sharing life stories that change is made. The C&AG commented he had learnt hugely from his interaction with the networks and had gained a much deeper understanding for their concerns. KM commented that the organizations that have made most significant progress on D&I are those that use data to understand where problems lie. She reported the NAO has developed a diversity dashboard that is providing the office with rich data sources to enable informed decision making.
- 3.4 The Chair thanked the networks for their openness and congratulated them, and the Leadership Team, on their shared ambition in this area.

Kingman Review

- 3.5 Steven Corbishley (SC) presented the proposed approach to the considerations contained in Sir John Kingman's review into the role, responsibilities and the future of the FRC published in December 2018. He reported the review contained recommendations relating to the NAO stemming from the FRC's role to inspect certain aspects of the NAO's financial statement audit work. SC reported that the government's consultation paper on the Kingman recommendations properly recognized that matters relating to the C&G fall to Parliament to consider, rather than Government. In addition, he reported that the Government's view is that recommendations relating to local audit should be considered as part the Government's review of the effectiveness of the current local audit arrangements.
- 3.6 The C&AG set out his preferred outcome and proposed strategy to achieve this recognizing that it would be for the next C&AG to take this forward. He reported his engagement so far with key MPs and their active interest in preserving the C&AG's independence in helping Parliament hold bodies to account. The Board endorsed the C&AG's proposed strategy, and it was agreed the Board should discuss the engagement strategy in more detail at its next meeting. It was agreed the Board would receive the NAO's response to the government's consultation. It would fall to the next C&G to respond in view of the deadline for closure of the consultation.

ITEM 4

Operational insight

Cluster accountability

- 4.1 The Chair deferred the discussion on Cluster Accountability to the next meeting.

ITEM 5

Any other business

- 5.1 HM reported that the Board meeting in June would be replaced by a meeting on 2 July. This would be the first meeting attended by Gareth Davies.
- 5.2 On behalf of the Board, the Chair extended his heartfelt thanks and gratitude to Sir Amyas for his service to the NAO and Parliament during his tenure. He would be sorely missed by the office and his colleagues on the Board.

ITEM 6

Date of next meeting

- 6.1 The Committee noted the next meeting would be held on 2 July 2019. The next meeting after July would be the Board strategy day on 16 September 2019.