



National Audit Office

## NAO Board Minutes

27 October 2020 from 14:00 to 16:30  
via conference call

Members		
Michael Bichard	MB	Chair
Janet Eilbeck	JE	Non-Executive Member
Ray Shostak	RSh	Non-Executive Member
Rob Skyes	RS	Non-Executive Member
Dame Clare Tickell	CT	Non-Executive Member
Gareth Davies	GD	Comptroller and Auditor General
Daniel Lambauer	DL	Executive Director responsible for Strategy and Resources
Kate Mathers	KM	Executive Director responsible for Financial Audit service line
Rebecca Sheeran	RS	Executive Director responsible for Value for Money service line
Attendees		
Abdool Kara	AK	Executive Director responsible for People
Max Tse	MT	Executive Director responsible for Knowledge
George Crockford	GC	Head of Reporting (item 4)
Chloe Forbes	CF	Head of Strategy and Corporate Affairs
Tania Khan	TK	Deputy Head of Procurement (item 2)
Sade Phillips	SF	Head of Finance and Procurement (items 2-3)
Nick Todd	NT	Director of Financial Audit Development and Operations (item 2)
Tim Valentine	TV	Director Finance (items 2-4)
Helene Morpeth	HM	Head of Governance and Risk

## Transactional Business

### Welcome

1.1 Michael Bichard (MB) welcomed members and attendees to the meeting.

### Apologies for absence

1.2 There were no apologies for absence from members. The Board noted Elaine Lewis, Executive Director for Financial Audit Quality Assurance, had passed on her apologies for absence (in attendee capacity).

### Declaration of Interests

1.3 There were no additions or changes to declarations of interest.

### Minutes of the last meeting

1.4 The Board approved the minutes of the meeting held on 30 July 2020 as an accurate record including their publication on the NAO's external website.

1.5 The Board approved the internal note of the Board Strategy day held on 8 September 2020. The Board noted the key points arising from the presentations on 'NAO's strategic foresight capability' and 'Board ways of working' requesting that the issues raised are followed up with the incoming Chair.

**Action: Helene Morpeth (HM) to ensure there is follow up of matters discussed at the Board strategy day with the incoming Chair**

1.6 The Board noted the reflections from the estimate hearing held with the Public Accounts Commission (TPAC) on 20 October 2020. Daniel Lambauer (DL) reported that teams are actively looking at all possible estate management options for the future.

### Action Log

1.7 The Board noted there were seven actions on the log of which two were complete and they agreed their deletion from the log. The Board noted the remaining actions were in hand for completion by their respective due dates.

### General (C&AG) Update

1.8 The Board received the C&AG's update since the meeting in July. The C&AG reported:

- Covid-19 external and internal impact: since the government's recent tightening of guidance the office has returned to the previous position of asking NAO people to work from home with only people who carry out essential work, or who have specific welfare reasons, to travel to work. The office has redoubled its focus on making remote working effective and sustainable by engaging people in various working projects. The office continues to monitor the impact of the ongoing pandemic on people through the regular pulse survey.
- Hearing with TPAC: TPAC approved the NAO's updated Estimate Memorandum on 20 October 2020. During the evidence hearing we also discussed the effect of the pandemic on NAO people; estate management and how we have reshaped our work programme to respond to public spending on Covid-19. We also discussed progress on the NAO's strategy following six months since its launch in June including areas we have made important progress in and other areas that we continue to focus on.
- Work programme: the office has continued to deliver a substantial programme of work on key elements of the government's response to Covid-19. The Covid-19 hub page on NAO's external website brings together all of our work on this topic and lists work in progress.

Since the July Board meeting the office has also published 12 non-Covid related reports covering important areas of risk to value for money.

- Other: the office held the annual senior management conference in late September at which we discussed important updates on progress on the strategy and the organisational development plan with a focus on the development and leadership contribution of directors. In September the office welcomed 61 new trainees and successfully delivered their induction remotely.

## Delivery

### 2 NAO's strategic contracts

- 2.1 Daniel Lambauer (DL) presented proposals for the commencement of a competitive procurement process to secure the provision of financial audit services for the 2021-22 audit cycle. Kate Mathers (KM) noted that the aim of the new framework was to facilitate better partnerships with the contracted suppliers in order to maximise the value that working with suppliers brings to the office and audited entities.
- 2.2 The Board approved the commencement of the procurement process to retender for the financial audit assurance services and approved the procurement route recommended by the central procurement team.
- 2.3 (DL) presented the re-tendering options for the NAO's Enterprise Resource Platform (ERP) platform and set out the executive team's preferred approach which is to retain current design as this constitutes the best use of NAO resources and represents the lowest risk option. A short discussion took place following which the Board approved the retendering route for the ERP platform recommended by the executive team.

## Finance and Natural Resources

### 3 NAO's Finance function

- 3.1 The Board received the external auditor's review on the NAO's finance function including management's response to the recommendations for improvement. (DL) and Tim Valentine (TV) confirmed a clear area plan has been put in place to take forward the recommendations which includes a number of opportunities to further automate processes. The Board endorsed the external review for escalation to TPAC and congratulated the finance team on the positive findings, including the conclusion that the NAO's finance function delivers good value for money.

## Good Governance

### 4 Balanced scorecard and risk register

- 4.1 The Board received the balanced scorecard progress report to end of September 2020. (DL) reported that the Board's comments from the July meeting had been taken on board and a slimmed down set of measures produced. He added that the external communications team have reviewed their original metrics to focus more on targeted engagements for our work and a new media monitoring provider has been appointed from 1<sup>st</sup> October. The Audit Transformation programme has generated potential metrics for quality and efficiency as a result of the new methodology and software now being used. The value for money service line is currently reviewing metrics to measure the delivery of quality and efficiency. Furthermore, group level scorecards are now been rolled out and the reporting team is continuously gathering feed-back to enable continuous improvement.
- 4.2 Following discussion, the Board concluded that there were gaps in performance measures in some areas of the balanced scorecard. Ray Shostak (RS) agreed to share his expertise with the reporting team on ways of bridging these gaps ahead of the next Board meeting.

**Action: Reporting team to consult with Ray Shostak on additional measures to the balanced scorecard ahead of the next Board**

- 4.3 The Board received the risk register to end September 2020 and welcomed the new slimmed down document including the improved presentation of content. The Board had no additional comments to add to the status of risks as set out in the risk register. The Board noted the solid progress on the project to align NAO's risk management approach to the updated HMT Orange Book.

## **5. Alignment of NAO's governance with code of good governance for central government departments**

- 5.1 The Board received the findings from the review of the NAO's alignment with the code of good governance for central government departments. Helene Morpeth (HM) summarised the key findings and commented that ARAC, which had considered the alignment review at its meeting earlier in the month, had taken positive assurance that NAO's governance arrangements were in line with prevailing best practice in the public sector. The Board noted the findings from the review would be reported in the 2020-21 Governance Statement contained within the Annual Report and Accounts.

## **6. Board's ongoing development**

- 6.1 The Board noted the proposed action plan for the Board's ongoing development would be circulated at a later date to enable the incoming chair and new non-executive members to consider and input their views.

## **Any other Business**

### **7 NED Succession**

- 7.1 Clare Tickell (CT) gave a verbal update on the NED succession campaign noting an impressive list of candidates had applied. The shortlist meeting would take place on 28 October with interviews scheduled in November, ahead of the appointment hearing with TPAC on 1 December.

#### 7.2 Committee update

- (CT) provided a verbal update on the RemCo meeting held earlier in the day which had included a helpful discussion on director development. She reported the non-executive members were in a good place to help facilitate director exposure to external organisations, including external speakers.
- Janet Eilbeck (JE) gave a verbal update on the ARAC meeting held on 7 October which had considered the external VFM review on the finance function and options for the topic for review in 2021. The Committee approved the internal audit strategy and work programme for 2021 and received a summary of eight internal audit reviews all of which had received overall positive assurance opinions. The Committee discussed one internal audit report with a limited assurance opinion noting the recommendation for improvement had been accepted by management.

#### 7.3 Covid-19 operational update

(DL) provided a verbal update on NAO's operational response which echoed the update from the C&AG at the start of the meeting. He referred to a suite of events in the pipeline for NAO people and reported on the successful online event held recently with a leading psychologist on how successful organisations can adapt to the new environment we find ourselves in.

#### 7.4 Feedback

The non-executives commented the lunchtime engagement on the refresh of the NAO's diversity and inclusion strategy had been very useful and extended their thanks to the diversity team for an excellent conversation.

#### 7.5 Date and time of next meeting

The Board noted the next meeting would take place on 24 November 2020.