



National Audit Office

Board minutes

Meeting held on 29 January 2021 from 10:00 to 12:30

Via conference call

Members		
Dame Fiona Reynolds	FR	Chair
Sir Martin Donnelly	MD	Non-Executive Member
Janet Eilbeck	JE	Non-Executive Member
Gaenor Bagley	GB	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
Elaine Lewis	EL	Executive Director responsible for Financial Audit Quality Assurance
Max Tse	MT	Executive Director responsible for Knowledge
George Crockford	GC	Head of Reporting (item 5.1)
Vicky Cox	VC	Head of Facilities (item 3.2)
Chloe Forbes	CF	Head of Strategy and Corporate Affairs
Catherine Hepburn	CH	Director ATP Programme (item .2.1)
John McCann	JMcC	Director of HR (item 4.1)
Colin Ross	CR	Director VFM Quality Practice (item 2.2)
Nigel Terrington	NT	Director of Strategy
Tim Valentine	TV	Director Finance (items 3.1 and 5.1)
Angus Waugh	AW	Director of Digital Services (items 2.1)
Helene Morpeth	HM	Head of Governance and Risk

Transactional Business

Welcome

- 1.1 Dame Fiona Reynolds welcomed members and attendees to the meeting. She referred to the warm welcome she had received from NAO people at her virtual introduction to the office upon taking up her role. She also thanked the executive team for arranging two helpful induction briefings earlier in the month aimed at informing the new members' understanding of the NAO strategy and budgetary framework and, separately, the ambitions in the financial audit quality plan including next steps in relation to the Audit Transformation Programme.

Apologies for absence

- 1.2 There were no apologies for absence.

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 24 November 2020 subject to a small amendment to paragraph 2.1.

Action Log

- 1.5 The Board noted there were five actions on the log of which one was complete, and they agreed its deletion from the log. Helene Morpeth reported she would take forward two linked actions relating to the 'Board's engagement with the office' and 'Board ways of working exercise' with the new Chair over the coming months. The action relating to the update of the Code of Practice between the NAO and C&AG would be discussed with the Board later in the year to allow the new members time to familiarize themselves with the NAO.

General (C&AG) Update

- 1.6 The C&AG welcomed the new non-executive members. He updated the Board on key developments since the last meeting covering:
- Impact on latest lockdown: both London and Newcastle offices are currently closed to staff except for a small number carrying out essential office-based work or colleagues requiring to work away from home for welfare reasons. Around 25% of staff are impacted by school closures and the executive team is carefully monitoring the impact of capacity on the work programme and reprioritising where necessary. There have been some gains in productivity due to staff not having to commute. The C&AG reported that, overall, lockdown had not resulted in a negative operational impact.
 - Value for money work programme: the office has continued to deliver a substantial programme of work on key elements of the government's response to the pandemic such as supplying the NHS and adult social care sector with personal protective equipment (PPE); the government's approach to test and trace in England (interim report); investigations into preparations for potential COVID-19 vaccines; the free school meals voucher scheme and housing of rough sleepers during the pandemic. In addition the office has maintained a strong programme of value for money studies on other key areas of risk to public money such as the defence equipment plan 2020-2030; digital services at the border; achieving net zero; managing flood risks; lessons learned from major programmes; and the BBC's strategic financial management.
 - Financial audit work programme: the office is currently completing a small number of outstanding 2019-20 certifications, including that of the Department of Health and Social Care. The C&AG added that colleagues are working closely with the main state departments; arm's length bodies and HM Treasury on the timetable for certification of 2020-21 accounts with the aim, where possible, of returning to the pre-summer recess laying

timetable. The C&AG highlighted two factors making this a challenge: the significant amounts of spending on the pandemic, attendant audit risks, and the impact of capacity within the finance teams at audited entities. This meant some certifications were likely to move to an autumn timetable.

- Public Accounts Committee (PAC): he has attended fifteen public and private sessions with PAC covering, amongst other things, government procurement of PPE; free school meals voucher scheme; the vaccines programme and test and trace in England. Feedback from the committee on these reports has been positive.
- NAO annual awards: the ceremony was held virtually last December with award categories aligned to NAO's values. The event provided an excellent opportunity to celebrate colleagues' significant contributions during the year.
- Race Equality Action Plan: the office has published a Race Equality Plan which reflects the input of many colleagues and our commitment to make significant progress in improving opportunities for NAO's ethnic minority colleagues in recruitment, development and progression.

1.7 The C&AG's update informed a discussion on the impact of lockdown on NAO's trainees including the support the office is providing on professional training and exams; internal coaching; and generally keeping in touch. The Board agreed a significant downside of remote working was how to impart culture and values in the absence of face to face interactions. The C&AG offered to circulate a more detailed briefing on the support the office is providing to trainees. In response to questions from the non-executives on how the VFM programme had been adapted to take into account pressures on key front-line government departments, the C&AG explained his approach was to balance Covid-related examinations whilst maintaining pressure on longer term issues. The non-executives commented on the risk of building up pressure on audit teams if too many accounts drift to the autumn.

1.8 The Board also discussed wider developments including the Shadow Chancellor's recent comments on external scrutiny; the C&AG's engagement with the Public Accounts Commission on future arrangements for the oversight of NAO's audit quality. The C&AG also reported on discussions with senior officials on the government's response to the Redmond Review.

Action: Helene Morpeth to circulate a note on the actions the office has taken to support trainees during lockdown.

Quality

2 Audit Transformation Programme

2.1 Kate Mathers invited the Board to approve the outline business case for the Audit Transformation Programme (ATP). She summarized the main benefits of the outline business case covering improved quality, improved efficiency and better audit insight. To inform the Board's decision, she explained the overall structure and direction of the ATP; the development of the commercial and economic cases, the funding envelope and the planned approach to procurement. She reminded the Board of the key changes to NAO's methodology driven by audit quality and particularly changes to auditing standards including ISA 315 (revised) effective for the NAO's 2022-23 audit cycle. She added that clarity on likely commercial partnerships together with confidence of the cost estimates would be gained as the procurement progressed.

2.2 The Board held a wide-ranging discussion covering the approach to procurement; the impact of Covid on overall pace; access to skills and the importance of supporting audit teams along the journey, adopting a phased approach to implementation. The non-executives advised against over specifying the requirements and the importance of careful selection of commercial partner(s). The non-executives also sought assurance on the timetable for the roll out of the programme and whether this was realistic in light of the significant training component. Kate Mathers explained the approach to de-risking the project and assured support would be provided to ensure user acceptance.

- 2.3 The Board approved the outline business case. Kate Mathers reported she would return to the Board in the summer for approval of the proposed procurement solution informed by the Board's advice and comments.

Action: Kate Mathers to report to the Board in the summer on the next stage in the procurement process.

VFM Quality

- 2.4 Colin Ross presented the annual value for money (VFM) quality report explaining how the office assures quality, how risk is managed and how the VFM practice has performed over the year. He welcomed external impressions on NAO's VFM work from the new and established non-executives. The Board discussed roles and responsibilities for quality assurance; the underlying tension between quality and responsiveness; methodologies for cross-government examinations; balance of the VFM programme as a whole including approaches to tackling system wide longer-term issues. The Board agreed to hold a further discussion on issues raised as part of a VFM induction briefing.

Action: Helene Morpeth to arrange further briefing on VFM quality as part the of the non-executives' ongoing induction.

Finance and Natural Resources

3. Update to strategy document and 2021-22 estimate

- 3.1 Daniel Lambauer thanked members for their helpful comments on the updated strategy document and 2021-22 estimate following the briefing session earlier in January. He reported all comments received had been incorporated in the document which now required formal approval by the Board. The Board discussed communication around the pay freeze and suggested this should be explained as a response underpinned by robust benchmark data, to address unique circumstances.
- 3.2 The Board approved the strategy update and 2021-22 estimate for submission to the Public Accounts Commission.

Facilities Contract

- 3.3 The Board was invited to advise and comment on the tendering initiation process for the facilities contracts presented by the Head of Facilities, Vicky Cox. The Chair recommended that we keep options as open as possible and services flexible in order to restructure easily in light of the decision to increase the office space available for rental. Daniel Lambauer reported the tender would be aligned with the future ways of working project and the ambition to make office space more collaborative whilst retaining the flexible use of space.

People

4. Code of Conduct

- 4.1 Abdool Kara and Jon McCann presented the updated 2021 Code of Conduct. They explained the document had been updated to reflect professional, technical and legal developments over the previous year. It would also be re-designed to make it a more engaging document. The Board approved the updated 2021 Code of Conduct.

Business Reports/ Good Governance

5 Performance framework

- 5.1 Daniel Lambauer presented the balanced scorecard to end of December 2020. He explained the report reflected the disruption caused by the January lockdown on staff and the associated re-profiling and re-prioritising of the work programme. The Board discussed the recent VFM cold

review scores and received assurance that whilst some scores were slightly below the line due to completeness of data processes, there had been no impact on the C&AG's judgement. The Board also discussed the reasons for uncertainty over income recognition at this point in the business cycle. The non-executives commented on the RAG rating for financial impacts target and Max Tse responded the office was on track to meet the target but was waiting for clearance on some significant impact figures from audited entities.

- 5.2 The Chair commented she would welcome a fresh look at some of the key performance indicators to ensure they reflected strategic rather than operational outcomes.

Action: Helene Morpeth to arrange further briefings on the performance framework as part of the of non-executives ongoing induction.

Strategic risks

- 5.3 The Board received the strategic risk register to end of December 2020. Janet Eilbeck proposed sharing a snapshot of the risk register with the Board three times a year: in January, June and October and providing a summary document at the interim meetings. The Board endorsed the proposed pattern of reporting. Helene Morpeth brought three risks to the Board's attention where risk rating had either increased or narrative in the register reflected a fast-moving environment. The risks were disruption to operations due to Covid; mental health and wellbeing and implications on the NAO of UK-EU trade negotiations (principally affecting laptop deliveries).

- 5.4 The non-executives challenged the time lag on results on the diversity and inclusion strategy, and Abdool Kara updated the Board on actions underway to narrow BAME and gender pay gaps as part of the organizational development plan. It was agreed the new members should receive earlier papers on actions in this area. Daniel Lambauer suggested the new members should also receive separate briefing on the office's information security plan.

Action: Helene Morpeth to circulate the paper on proposed actions to close the gender pay gap to be non-executives, and the information security plan.

Membership of Board committees/Senior Independent Director appointment

- 5.5 The Chair reported the appointment of Clare Tickell as Senior Independent Director and that Gaenor Bagley would be a member of the Audit Risk and Assurance Committee and Martin Donnelly a member of the Remuneration and Nominations Committee.

Any other Business

6 Feedback and reflections

- 6.1 The feedback from the Board was positive both in terms of quality of papers and discussion. The C&AG welcomed the insights and challenge provided by the non-executives. The Chair said she hoped the meeting had added value to the executives and explained her desire was to create an open and collaborative atmosphere where challenge was received in the right spirit.

- 6.2 Date and time of next meeting: The Board noted the next meeting would take place on 23 March 2021.