



National Audit Office

Board Minutes

Meeting held on 27th July 2021 from 10:15 to 12:45 hrs.

Via MS Teams

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
Abdool Kara	AK	Executive Director responsible for People
Attendees:		
Kate Mathers	KM	Executive Director responsible for Financial Audit service line
Max Tse	MT	Executive Director responsible for Knowledge
Jon Bayliss	JB	Senior Analyst, Strategy (item 6)
Vicky Cox	VC	Head of Facilities (item 2)
Dan Gluckman	DG	Senior Digital communications manager (item 5.1)
Catherine Hepburn	CH	Director ATP (item 4)
Adrian Jenner	AJ	Director of Parliamentary relations (item 1.8)
John McCann	JMcC	Director Human Resources (item 3)
Hannah McNicholl	HMcN	Director External Relations (item 5)
Nigel Terrington	NT	Director of Strategy (item 6 & 7)
Sade Phillips	SP	Head of Finance and Procurement (item 7)
Saria Usman	SU	Head of Reporting, Finance team (item 7)
Rebecca Webb	RW	Lead on risk management (item 7)
Helene Morpeth	HM	Head of Governance and Risk

Welcome

1.1 The Chair, Dame Fiona Reynolds, welcomed members and attendees to the meeting.

Apologies for absence

1.2 There were two apologies for absence: Elaine Lewis (Executive member of the Board) and Rebecca Sheeran (attendee).

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 8 June 2021.

Matters arising

1.5 The Board noted the 2020-21 Annual report and Accounts was laid in Parliament on 21 June and published on the NAO's external website on 22 June. Along with:-

- 2020-21 Diversity & Inclusion Annual Report published on 7 July: and
- 2020-21 Transparency Report scheduled for publication on 28 July.

Action Log

1.6 The Board noted there were seven actions on the log of which three were complete with the remainder on track for completion by their respective due dates. Helene Morpeth reported that the Audit and Risk Assurance Committee (ARAC) had commissioned further work on risk appetite which will be taken forward during the summer. She added the Board engagement plan is being worked on and the update to the Code of Practice between the C&AG and NAO will be presented to the Board in the Autumn.

C&AG update

1.7 The Board received the C&AG's update since the last meeting. The C&AG shared his reflections on a wide range of matters in light of the upcoming recess period:

- 190 accounts had been certified to date compared to 154 for the same period last year. This included six main departmental accounts with the remaining departmental accounts planned for certification in the autumn. Since the Board meeting in June, the office had also published ten value for money reports, and the Committee of Public Accounts (PAC) had held evidence sessions informed by NAO's work on a range of topics including the Government's delivery through arm's length bodies; Crossrail; High Speed Two; Greensill and NHS Test and Trace.
- In terms of external engagement, the C&AG reported his attendance at the launch of the Commission for Smart Government's final report which included many improvement themes identified by the NAO in its own work. He had also shared lessons learned from NAO's cross-government work with the new cross-government Environmental Plan Board comprising all the Director-Generals with responsibility for delivering the government's environmental goals.
- The C&AG highlighted the upcoming spending review and the Board discussed the associated challenges for individual departments including implications for the NAO's work programme.

1.8 In response to a question from the Chair on audit quality scores, the C&AG reported that the AQR had completed their review of seven individual audits carried out during inspection year 2020-21 (four Companies Act audits and three non-Companies Act audits) and assessed five of them (71%) as requiring no more than limited improvements, which was consistent with the previous year's inspection cycle. One Companies Act audit and one non-Companies Act audit were assessed as requiring improvements. No audits in the current year were identified as requiring significant improvements

(compared to two last year). The C&AG added that NAO's quality scores were largely comparable with those of the firms and he set out NAO's response to AQR's findings. The C&AG acknowledged the helpful challenge function provided by the recently established Audit Quality Board and thanked Janet Eilbeck and Gaenor Bagley for their independent insights.

Parliamentary Update

- 1.9 The Board received a verbal update from Adrian Jenner on recent Parliamentary developments including the constructive PAC Away Day held at the NAO's offices to discuss progress on NAO's strategy and the programme of work. The Board noted the progress update against the NAO's parliamentary engagement plan covering actions, amongst others, to further enhance relationships with select committees and the House of Lords. It was agreed the Board would receive a further update before the end of the year.

Action: Board to receive a further update on the Parliamentary engagement plan before the end of the year.

Finance and Natural Resources

2 External value for money review on NAO's strategy investments

- 2.1 Daniel Lambauer presented the annual external review undertaken by NAO's external auditor which assesses whether the NAO is achieving value for money in its use of resources focusing, in 2021, on the NAO's strategy investments in light of the additional funding provided by the Public Accounts Commission (TPAC) for the Audit Transformation Programme; the value for money practice; and the knowledge management function.
- 2.2 The Board discussed the report's findings and recommendations noting the external auditor's assurance, from the work performed to review the various strands of the additional investments, that they were fit for purpose and set up to deliver value for money for the NAO in the service it provides to stakeholders. The Board approved the external annual value for money review for submission to TPAC.

Net Zero

- 2.3 Daniel Lambauer outlined the strategic investment case for making the NAO a net zero carbon organisation by 2029 outlining resources, management commitment and behavioural changes required to achieve this goal. The Board welcomed the paper and endorsed the NAO's ambition to be at the forefront of the public sector in this key area. The Board discussed the challenges of net zero scope 3, in particular those relating to supply chains, and the non-executives advised management to be transparent and explicit about the inherent complexities of scope 3. The Board approved the net zero carbon strategic investment case noting requests for Board approval of associated funding would be presented early next year.

People

3 Health, Safety and Wellbeing

- 3.1 The Board received the 2020-21 Health, Safety and Wellbeing annual report. The Board questioned the low level of mental health cases during the period and Daniel Lambauer reported the office had probed into this issue and concluded that the introduction of people related initiatives such as performance coaches and personal development plans, including the strong emphasis placed on wellbeing by the Executive Team, had positively mitigated against an increase in staff health and wellbeing during the pandemic. The non-executives advised that the implications of long COVID together with the backlog of GP and hospital waiting times could be issues going forward. Daniel Lambauer reported he would raise these matters at the next meeting of the Health and Safety Committee.

- 3.2 The Board received the proposed Health, Safety and Wellbeing policy, for approval, noting the policy has been updated to place greater emphasis on wellbeing including remote working. The Board approved the update to the Health, Safety and Wellbeing policy.

Modern Slavery Statement

- 3.3 The Board approved the 2020-21 Modern Slavery Statement for publication on NAO's external website.

Quality

4 Audit Transformation Programme (ATP)

- 4.1 Kate Mathers updated the Board on the ATP. She reported the programme delivery status was improving and proof of concept around content delivery had been successful and plans were in place to support live pilots in November 2021. She added the risk and challenge to the programme still remained around skills and capacity. The non-executives enquired about the implications of the delay in the overall delivery plan and Kate Mathers gave assurance that flexibility had been built into the overall design including a six-week contingency in case re-planning was required. The non-executives highlighted the importance of allowing sufficient time to test, to gain maximum assurance on readiness before proceeding to implementation phase. Kate Mathers concluded her update by reporting re-planned procurement milestones were on track with a credible range of suppliers invited for dialogue ahead of identification of a preferred bidder in the autumn.

Delivery

5. External website redevelopment

- 5.1 The Board endorsed the Executive Team's decision to move to the next stage in the re-development of the NAO's external website informed by the work carried out to date. The non-executives advised the website should not try to be all things to all people and recommended that the tone and voice of the website should inspire curiosity from NAO's multiple and varied visitors.

Impact

6 Strategic foresight

- 6.1 Nigel Terrington presented the outcome of Board members' views on proposed strategic themes for further exploration and discussion at the Board strategy day on 1 October. The Board agreed to select 'future work force' and 'land use' based on their far-reaching cross government implications. The Board agreed government's use of data / digitization would lend itself to further strategic discussion, at a later date.

Action: Helene Morpeth to arrange an additional strategy session next year to discuss data and digitalization.

- 6.2 The Board agreed the outline agenda for the Board strategy day.

Business Reports/Strategic Risk Register

7 Performance framework

- 7.1 The Board discussed the performance report to end June and welcomed the new alternative proxy measures where the balanced scorecard had previously only reported on annual performance measures.

7.2 Strategic risks

The Board discussed the risk register to end June noting two new risks had been added to the register since the last meeting: 'Inclusion' and 'delivery of the Audit Transformation Programme'. The Board commented on the significant risk to the nation's fiscal outlook, following COVID

spending on public services, and the likely impact on departmental budgets in the next spending review. The Board noted the risk management team were working on an approach to make risk appetite and tolerances more explicit, to be shared with ARAC and the Board in the autumn.

Governance

8 External evaluation of the Board

- 8.1 The Board noted the proposed next steps for the Board's external evaluation in 2022. The Board recommended the evaluation should be kept as simple as possible, be forward looking and build on the strengths of the Board. The Board also recommended the preferred supplier should have a good understanding of the public sector context in which the NAO operates.

Any other Business

9 Feedback and reflections

- 9.1 The feedback from the Board was positive commenting that the pack contained good examples of high-quality papers to inform discussion. Helene Morpeth reported she would continue looking for a mutually convenient date for a Board dinner in the autumn / early next year. The Chair asked the C&AG to extend the thanks of the Board to NAO colleagues for all their hard work and wish them a good summer break.

Action: Helene Morpeth to find a mutually convenient date for a Board dinner in late autumn / early next year.

9.2 Date and time of next meeting

The Board noted the strategy day would take place on 1 October 2021 with the meeting in person, government restrictions permitting. Following this, the next Board meeting would be on 2 November 2021.