



National Audit Office

Board Minutes of Meeting held on 24 March 2022

Meeting held on 24 March 2022 from 09:30 to 12:00 hrs
157-197 Buckingham Palace Road, London SW1W 9SP

| 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 & Auditor General |
| Abdool Kara | AK | Executive Director, People |
| Daniel Lambauer | DL | Executive Director, Strategy and Resources |
| Elaine Lewis | EL | Executive Director, Financial Audit Quality |
| Attendees | | |
| Kate Mathers | KM | Executive Director, Financial Audit Service Line |
| Rebecca Sheeran | RS | Executive Director Value For Money Service Line |
| Max Tse | MT | Executive Director, Knowledge |
| Jennifer Brown | JB | Parliamentary Relations Manager (item 2) |
| Meredith Brown | MB | HR specialist, Diversity, and Inclusion (item 3) |
| Steven Corbishley | SC | Director, CQU (item 3) |
| Ann Green | AG | Lead on Client Feedback (item 2) |
| Adrian Jenner | AJ | Director Parliamentary Relations (items 1.8 and 2) |
| John McCann | JMcC | Director, HR (item 3) |
| Laura McIntyre-Brown | LMB | Senior Analyst, Lead NAO Annual Report and Accounts (Item 3) |
| Hannah McNicholl | HMcN | Director, External Communications (item 2) |
| Shah Sandeep | SS | Senior Communications Manager (item 2) |
| Nigel Terrington | NT | Director Strategy (items 3 and 5) |
| Saria Usman | SU | Head of Reporting (item 5) |
| Angus Waugh | AW | Director Digital Services (item 4) |
| Rebecca Webb | RW | Lead on Risk Management (item 5) |
| Harry West | HW | Head of Information Security (item 4) |
| Peter Wood | PW | Director, Internal Audit and Assurance (item 4) |
| Helene Morpeth | HM | Head of Governance and Risk |

Transactional Business

Welcome

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

Apologies for absence

1.2 Apologies for absence were received from Sir Martin Donnelly.

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 1 February 2022 as an accurate record, including the publication of the minutes on the NAO's external website.

Matters arising

- 1.5 The Board discussed the outcome of recent engagements with the Public Accounts Commission (TPAC). They commented that the frequency of meetings following the new accountability arrangements was leading to a richer conversation with TPAC, including constructive challenge of the NAO informed by multiple data sources. The C&AG referred to the recent requests from TPAC for assurance on NAO's mechanism for monitoring hours worked and detailed feed-back from NAO's people survey. The Board commented that the new arrangements have also resulted in positive scrutiny of NAO's audit quality. The Board was pleased to note that TPAC had approved the Estimate and the Code of Practice between the NAO and the C&AG and that the Code would be laid in Parliament shortly.
- 1.6 The C&AG reported on people feed-back following the announcement of the 2022-23 pay envelope and it was agreed the Remunerations and Nominations Committee should consider implications at its next meeting.

Action: Remuneration and Nominations Committee to consider actions arising from the 2022-23 pay envelope at its next meeting.

- 1.7 The Chair extended the thanks of the Board to all staff involved in the preparation of the various accountability documents presented to TPAC.

Board action log

- 1.8 The Board noted there were five actions on the log, four of which were on track for completion by their respective due dates. Helene Morpeth reported that the fifth action relating to strategic foresight would be discussed separately with the Chair. This led to a request for the strategy team to consult the Board on topics for strategic discussions going forward.

Action: Strategy team to consult the Board on topics for strategic discussion at future Board meetings.

C&AG Update

- 1.9 The C&AG reported on the office's initial assessment of how the sanctions imposed by the UK government in respect of Russian's invasion of the Ukraine may impact on NAO operations. This led to a wide-ranging discussion on money laundering procedures, NAO's audit and assurance work, people, suppliers and partners, tenants, cyber security and international relations. In response to Non-Executive questions about the impact on NAO's work programme, Rebecca Sheeran provided assurance on the mechanisms in place to adapt the overall work programme, including individual studies, based on audit teams' strategic risk assessment of the changing strategic context including impact across central and local government. The Non-Executives sought assurance on NAO's cyber security arrangements, and Daniel Lambauer reported that NAO's defences have held up well thanks to investments made over prior years including the development of a high performing information security team. The C&AG reported that the NAO had ceased contact with the Supreme Audit Office of Russia.
- 1.10 The Chair thanked the C&AG for his update commenting that it had provided helpful trigger points for conversations on topical strategic issues.

Impact

2. Client feedback

- 2.1 Hannah McNicholl presented the results of the 2021 client feedback survey following a pause in the survey in 2020 due to the pandemic. She reported that the results were largely consistent

with those in 2019 which in turn were largely favourable, and the fact that they had remained as such in spite of the pandemic was very encouraging. She outlined the high-level results as follows:

- The results of the client feedback programme are generally very positive.
- Clients feel the NAO is performing well against its strategic objectives.
- Financial Audit continues to be a core strength of the NAO.
- Most of those who were involved in a NAO value for money study in the last three years were positive about their experience overall.

2.2 The Board was pleased to note the positive results and focussed their discussion on areas where the NAO could do more, for example on recommendations where some clients have questioned the quality and insightfulness of recommendations. Rebecca Sheeran reported that teams are working more closely with clients on the formulation of recommendations to ensure they are more tailored to the organisation, that they add value, and that they are affordable. It was agreed that the theme of 'NAO recommendations' would lend itself to a good strategic discussion at a future Board meeting.

Action: The strategy team to add NAO recommendations to the list of strategic themes for future consideration.

Feedback from MPs

2.3 Adrian Jenner presented the top-line results from the 2021 Ipsos MORI survey of MPs. He reported that overall results were very positive including MPs' familiarity with the NAO which remains stable. He added that MP favourability and advocacy towards the NAO had both increased markedly and that more MPs think that NAO's reports are clear, easy to read and understand, and easy to access. He reported that MPs would like a more bespoke and regional/constituency focus and he is exploring options for taking this forward with the data analysis team.

2.4 The Board commented that the parliamentary engagement plan was performing well against its objectives and endorsed the aim of providing more bespoke and local data to MPs in the revised and updated plan subject to resources. Adrian Jenner concluded his presentation with a brief update on the latest developments with the Committee of Public Accounts reporting that two new members had joined the Committee. The Board noted that the Queen's speech would take place on 10 May 2022.

Corporate Reporting

3. Corporate annual reporting

3.1 Laura McIntyre-Brown presented the proposed structure and outline of the 2021-22 Annual Report and Accounts (ARA). She reported that the theme of the report would be 'insightful' and the aim was to continue to build on the collective achievements of the office during the year showcasing in particular how the office has helped government and Parliament improve public services through the NAO's integrated expertise and lessons learnt / good practice publications. As per prior years, there will also be a strong people focus and evidence of the office's impact illustrated via numerous case studies. She added that a comprehensive communications plan will follow which, this year, will make clearer connections between the suite of corporate reports so that key messages about NAO's performance and impact stand out in a more holistic and integrated way.

3.2 The Board welcomed the 'insightful' theme however commenting that on its own it appeared passive and should be combined with a stronger sense of overarching purpose incorporating improved outcomes. It was agreed the C&AG and the Chair's opening statements were good places to communicate this overarching purpose which could then be followed through in the body of the report alongside illustrative case studies. The Non-Executives suggested that tone was key and that in drafting the report we should bear in mind we are communicating with people. The Non-Executives also suggested giving higher prominence to quality, not just from the angle of audit quality and audit scores, but from a wider organisational perspective. The Board concluded that the report provided an excellent opportunity to stand back and reflect on what we've learnt during the year from NAO's cross-cutting work.

D&I Annual Report

- 3.3 Meredith Brown presented the outline for the 2021-22 Diversity & Inclusion Annual Report (D&I) which would be structured to reflect the four priorities of D&I strategy for 2021-2025. The Non-Executives suggested the tone of the report should be elevated to convey the NAO's story and ambition to attract the best talent in the country and be an exemplar organization for diversity and inclusion. Without sounding self-congratulatory the report should also convey the positive results achieved against the office's diversity targets. It was agreed the report should be shorter with data sets included as far as possible in an Annex.

Transparency Report

- 3.4 Steve Corbishley presented the outline of the 2021-22 Transparency Report. He reported that he would reflect the Board's generic comments on tone and messaging in the Transparency report which would be illustrated with an increased number of case studies compared to prior years. The Non-Executives suggested differentiating process-related descriptions from the narrative, which should focus on NAO's quality ambitions. The Board noted that timing of receipt of external quality scores was outside of NAO's control which meant approval of the final report may have to take place outside the formal Board meetings as per prior years.
- 3.5 The Chair suggested the suite of corporate reports warranted a strong communication plan drawing together key messages from NAO's findings and impact during the reporting year and may benefit from being launched at an external event.

Action: Communications Team to reflect the Board's comments regarding the communications plan and platform to frame the suite of 2021-22 corporate reports.

Delivery

4 Corporate delivery plans

- 4.1 Angus Waugh presented the Update to Year 3 of the Digital Plan 2020-22 which will conclude the NAO's migration over to cloud service provision for all digital services. He reported that the remainder of the year would be focused on the roll out of the new laptops; the refresh of mobile phones and iPads and achieving direct connectivity to enable the office to bypass legacy systems. He added additional plans included upskilling people with mandatory training rolled out to all Managers following delivery to Directors earlier in the year. The update informed a broader discussion on the NAO's longer term ambition to be a digital office. It was agreed this strategic topic should be considered at a future Board meeting.

Action: The strategy team to add NAO's digital ambition to the list of strategic themes for future consideration.

- 4.2 Daniel Lambauer sought the Board's approval in principle for the procurement team to publish the tender for the new laptops in light of the tight turnaround of timelines. It was agreed that Helene Morpeth would organise a briefing session for the Non-Executives, with Digital Services, to discuss the implications of the new system for Non Executives.

Actions: Helene Morpeth to circulate the business case for the procurement of NAO laptops to the Board and arrange a briefing session with Digital Services on the implications of the laptop roll out on the Non-Executives.

- 4.3 Peter Wood presented a progress update on activities covered in the Information Security Year 3 Plan. The Non-Executives questioned the assurance framework underpinning the Plan and noted this consisted, amongst other things, of independent assurance through certification to the Government's Cyber Security Essentials Plus Scheme and certification to ISO27001. The Board noted that a refresh of the Information Security Plan, aligned to the delivery of the Digital Plan, would be produced next financial year.

Business Reports/Good Governance

5 Performance framework

- 5.1 Saria Usman presented the key highlights from the balanced scorecard to end February 2022. The Board were pleased to note the financial impacts target would be met following earlier concerns this would not be the case. Max Tse reported that a low probability but large impact case had been approved by the client in mid-March which meant the financial impact target would be met, subject to confirmation by external audit that the required processes have been complied with. He alerted the Board that next year's target was looking difficult to meet in view of the vagaries of the impacts pipeline. The Board re-iterated conversations held earlier in the meeting, including prior meetings, about viewing the financial target as one of several measures which capture the NAO's impact. The Board noted the Executive Team had approved the closure of the future working group project as this had now met its objectives.

Strategic risks

- 5.2 Rebecca Webb presented the March strategic risks register highlighting that for the first time the register includes the distribution of risk by level of risk the office is prepared to accept following the completion of work on risk appetite and tolerance. She added that this should facilitate the Board's oversight of risks by focusing discussion of the risks that were above target and up to critical threshold. The Board agreed that the Audit and Risk Assurance Committee would look at the new categorisation of risk at its next meeting and provide their views on those strategic risks where the Board could add most value in discussion. The Board noted a new risk on operational resilience would be incorporated within the register by June.

Committee update

- 5.3 The Board noted the minutes of the recent meetings of the Remuneration and Nominations Committee and the Audit and Risk Assurance Committee.

Non-executive succession

- 5.4 The Chair provided a brief update on the approach and timetable for the upcoming Non-Executive vacancy informed by the advice she had received from the Remuneration and Nominations Committee.

Executive Director appointment to the Board in 2022-23

- 5.5 The Board noted the Non-Executives had approved the C&AG's recommendation that Daniel Lambauer, Kate Mathers and Max Tse should be appointed as Executive Directors of the Board in 2022-23.

External Board evaluation

- 5.6 Having received the final report from Board Excellence the Chair reported that she would take forward a number of suggestions for improvement from the external Board evaluation which the Board had discussed at their workshop the prior day. The Board concluded that the evaluation had informed a very constructive conversation on findings and areas of focus going forward.

Action: The Chair and Helene Morpeth to take forward the suggestions for improvement from the external Board evaluation.

Any other Business

6. Feedback and reflections

- 6.1 The Board reflected the papers had informed a helpful discussion in particular in relation to communication of key messages arising from the forthcoming yearly corporate reports.
- 6.2 The Board noted the next 'NAO Together' event would be held on 28th April (via zoom).

Date and time of next meeting

- 6.3 The Board noted the next meeting would take place on Friday 17 June 2022 in Newcastle.