



National Audit Office

NAO BOARD MINUTES

The Minutes record the business of the Board in agenda order.

Financial year 2018-19 – Board meeting

Room:	Blue Mezz 1
Location:	National Audit Office 157-197 Buckingham Palace Road, London, SW1W 9SP
Date:	29 November 2018
Time:	14:30-16:30

Members		
Michael Bichard	MB	NAO 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
Kate Mathers	KM	Executive Member, Financial
Abdool Kara	AK	Executive Member, VFM Local Services
Daniel Lambauer	DL	Executive Member, Strategy and Operations
Attendees		
Rebecca Sheeran	RShn	Executive Leader, VFM
John Thorpe	JT	Executive Leader, Financial
Stephen Smith	SS	Executive Leader, Financial
Max Tse	MT	Executive Leader, VFM Digital
Maria-Christina Eskioglou	MCE	Head of Corporate Affairs, Governance, and Strategy
Adrian Jenner	AJ	Director, Parliamentary Relations
Tim Valentine	TV	Director, Finance
Mark Allen	MA	Head of Legal and Policy
John McCann	JMc	Director, Parliamentary Relations
Hannah McNicholl	HMc	Director, External Relations
Peter Smithson	PS	Director, Financial Audit PQ
Hafsa Khan	HK	Board Secretary

Transactional Business:

Item 1

Welcome & apologies for absence

- 1 Michael Bichard (MB) welcomed members to the Board meeting.

Declarations of Interest

- 2 There were no declarations of interest.

Minutes of the meeting of 29 November 2018

- 3 The Board approved the minutes of the meeting held on 29 November 2019 to be published on the external NAO website.

Matters Arising

- 4 There were no matters arising.

Action Log and programme of work

- 5 The Board received its action log and programme of work. There were two actions marked 'propose delete', and these were removed from the action log.

Update from the Comptroller and Auditor General

- 6 The Comptroller and Auditor General (C&AG) provided the Board with an update on his activities since the last Board meeting:
- Attending an annual meeting of UK and Ireland Auditor Generals in Dublin discussing the challenges of public audit and the progress made in improving financial audit quality.
 - Continuing to strengthen the NAO's relationships with other key stakeholders and met with the UN Special Rapporteur for Extreme Poverty Professor, Philip Alston, and Sir John Kingman who is lead a review into the Financial Reporting Council.
 - Continuing to have regular communication with AOs on the progress of financial audits and value-for-money work programme.

Update on latest developments with PAC and Parliament

- 7 Adrian Jenner (AJ) provided the Board with an update from Parliament, and recent work with the Public Accounts Committee. AJ told the Board that the PAC is committed to its programme until 2019. He informed the Board that the C&AG would give evidence at the Treasury Work and Pensions committee in the New Year following the National Audit Office's report on Motability.

Item 2 – Remuneration and Nomination Committee Update

- 8 The Board received the minutes of the Remuneration and Nominations Committee meeting held on 26 October.

- 9 The Board also received and approved the Committee's schedule for 2019. It was noted that Janet Eilbeck (JE) would join the meeting, as an observer, at the Committee's meeting in March.

Item 3 – Business Reports

10 Tim Valentine (TV) presented the Business Reports to the Board. The Board discussed the utilisation processes for trainees that have unallocated periods. The Board said that it was important that clusters shared best practice and cultural behaviours needed to change if staff allocations have not been booked correctly. Daniel Lambauer (DL) assured the Board that the Leadership Team are supporting this.

11 It was noted that the Board did not receive the Corporate risk register having agreed to consider the register every other meeting and having received it at their meeting in October.

Item 4 – Annual Quality Report 2017-18

12 Kate Mathers (KM) introduced the 2017-18 annual quality report. The NAO's Financial Audit quality is regulated by the Financial Reporting Council's firm procedure that operates in the Financial Audit practice, and the Board reviewed the Quality report as part of their routine governance. A number of points were discussed:

- The low sample sizes can cause scores to fluctuate significantly year on year. Therefore, we do not conclude from just one year's results that we have evidence that we are close to meeting the '90% target'. We also carry out our own reviews that this year also met the required quality threshold. However, it will be important to maintain quality in a sustained way across the audit practice over time.
- The Board discussed the VFM Quality strategy impact.
- Audit annual appraisal systemic links between quality and development needs.

13 Following this discussion, the Board endorsed the 2017-18 annual Quality report.

Item 5 – Cluster accountability and strategic review process

14 Maria-Christina Eskioglou (MCE) presented a paper on the cluster accountability and strategic review process. The Board discussed a number of points:

- The Board recognised the rise in excess hours worked in clusters and were given assurance that clusters have given a lot of thought to how best to manage the work/life balance of colleagues in light of the peak pressure and the high-quality requirements.
- The Board were pleased that value management is business as usual, and that clusters have taken actions to improve how people issues are reviewed following the 2017 people survey results.
- However, there were still compliance concerns regarding Office wide procedures such as effective management of purchase orders, cash budgets, and time sheet completion. Janet Eilbeck (JE) suggested that the internal audit compliance report submitted to the Audit Committee could be presented by cluster so that the Audit Committee can compare and contrast compliance figures between clusters.
- The Board received the work programme for Quarter 2 and 3.

Item 6 – IT Audit

15 Peter Smithson (PS) informed the Board about the NAO's IT audit. The Board told PS that his presentation was an excellent insight into the NAO's work in IT audit. PS discussed the future thinking on artificial intelligence where it shows real time auditing. He explained to the Board about the work the Data Analytics Research Team (DART) are looking in delivering IT audit products. The Board were impressed with DART's work, and how their approach is working towards a digital approach to audit.

Item 7 – External Communication Strategy

16 Hannah McNicholl (HMc) introduced the external Communications Strategy. The Board received two papers for this item, which included a situation analysis outlining the consultants' assessment of the current communications capability; and the detailed strategy. There were several points discussed:

- The Board agreed that the situation analysis included in the paper was 'spot on'.
- They were pleased that external communications strategy supported the NAO's vision and strategic objectives.
- The Board agreed that the messaging could be clearer within the strategy as it was felt that the strategy read for the External Relations Team (ERT) only. The Board agreed that the strategy is owned by senior management, but supported by ERT.
- The Board told HMc that ERT should identify who the external interest groups are, and how they can promote the NAO's messages. However, it was important that this did not cover policy related matters, or messages that were not based on facts, or outside the NAO's remit.
- On the strategic themes, the Board thought that the strategy needed to connect the themes to the areas of work. The messages within the strategy could be simplified.
- The Board discussed that the next C&AG may have a different view on the strategy and that it was important for the ERT to engage with them, once they are appointed, about their thoughts on the strategy.

17 The Board concluded that it was important for management to routinely review the strategy to ensure that the strategy remained 'fresh'. There was also further work to be done on the tone of the report, and HMc agreed to amend the strategy following the discussion.

Any Other Business

18 The Board received the timeline for the 2018-19 Annual Report and Accounts. It was agreed that the proposed Board meeting in June would be moved to May to accommodate the C&AG signing the NAO's accounts before his resignation in May.

Date and time of next meeting:

Thursday 24 January 2019, 14:30-16:30