



National Audit Office

NAO Board Minutes

Meeting held on 9 June 2020 from 14:00 to 16:30
via Skype

Members		
Michael Bichard	MB	Chair
Gareth Davies	C&AG	Comptroller and Auditor General (C&AG)
Janet Eilbeck	JE	Non-Executive Member
Dame Clare Tickell	CT	Non-Executive Member
Ray Shostak	RShk	Non-Executive Member
Daniel Lambauer	DL	Executive Director, Strategy and Operations
Rebecca Sheeran	RS	Executive Director responsible for Value for Money service line
Kate Mathers	KM	Executive Director responsible for Financial Audit 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)
Chloe Forbes	CF	Head of Strategy and Corporate Affairs
Adrian Jenner	AJ	Director Parliamentary Relations (items 1.7 and 4.1)
Sian Jones	SJ	Director, Value-for-Money Centre Group (item 4.2)
Abigail Marshall Bailey	AMB	Audit Principal, Policy and Legal (item 2.1)
Tim Valentine	TV	Director Finance (items 2.1 and 5)
Helene Morpeth	HM	Head of Governance and Risk

Transactional Business

Welcome and Apologies for absence

- 1.1 Michael Bichard (MB) welcomed members and attendees to the meeting. He welcomed Daniel Lambauer, Kate Mathers and Rebecca Sheeran as executive members of the Board for the financial year 2020-21. He reported apologies for absence had been received from Rob Sykes and consequently Rebecca Sheeran would attend the meeting in an observer capacity to preserve the majority of non-executive members. He reported the retirement of Stephen Smith effective from April 2020 and expressed the Board's gratitude for his service to the NAO.

Declaration of Interests

- 1.2 There were no additions or changes to declarations of interest.

Minutes of the last meeting

- 1.3 The Board approved the minutes of the meetings held on 2 and 26 March 2020 including their publication on the NAO's external website.

Matters arising

- 1.4 The Board noted the approval of the NAO estimate for 2020-21 by the Public Accounts Commission at the estimate hearing on 23 April 2020. The Board noted the external strategy and organisational development plan (ODP) were approved by the non-executives following a conference call in early May enabling the launch of the ODP on 11 May and the external strategy on 1 June.

Action Log

- 1.5 The Board noted there were nine actions on the log of which three were complete and they agreed their deletion from the log. The Board noted the remaining actions were in hand for completion by their due dates. The Board requested a paper setting out potential further options for narrowing the gender pay gap from 2020 onwards.

Action: Abdool Kara (AK) to present an options paper to narrow the gender pay gap.

C&AG update

- 1.6 The Board received the C&AG's update since the meeting held on 26 March noting the majority of the headings in his update were subject to separate Board agenda items. Gareth Davies (GD) reported that the dominant management issue for the office had been responding to the government restrictions following the Covid-19 outbreak. He reported the office's business continuity planning was working well and feedback from staff was that the executive team's clear messages and careful planning had helped them cope in the extraordinary circumstances. He updated the Board on the plans for the London office to safely accommodate a very small number of people from 1 June and the future approach to visiting client sites including the Houses of Parliament.
- 1.7 GD further reported on the delay to the number of planned certifications prior to the parliamentary summer recess which would support smoothing out the financial audit peak including ongoing discussion with teams to ensure plans for the 2020-21 financial period were not delayed.

Update on latest developments with PAC and Parliament

- 1.8 Adrian Janner provided a verbal update on the latest developments relating to the Committee of Public Accounts and Parliament.

Finance and Natural Resources

Annual Report and Accounts

- 2.1 The Board received the 2019-20 NAO annual report and accounts noting the external auditors recommend an unqualified audit opinion and propose no adjustments to the financial statements

as presented. However the external auditors have included an additional paragraph in their audit opinion to draw attention to material uncertainty in the valuation of the London property. This is a result of the potential impact caused by the outbreak of Covid-19 on the many factors that have historically acted as drivers for property market activity.

- 2.2 The Board approved the 2019-20 annual report and accounts subject to reflection of the following two comments in the final version of the report:
- MP survey results – strengthen narrative to incorporate actions the office is taking to address the decline in some of the results; and
 - Staff survey – strengthen narrative to incorporate some of the actions the office is taking to improve results by reference to the people workstream in the ODP.
- 2.3 The Board commented positively on the look and feel of the report and passed on their thanks to the drafting and design teams for their respective contributions.
- 2.4 The Board received and noted the director of internal audit and assurance's annual report to the C&AG.
- 2.5 The Board received the Audit Committee's annual report to the Board and approved the extension of Martin Smith's appointment as external independent member to the end of 2020.
- 2.6 The Board received and noted the Remuneration and Nominations Committee annual report to the Board.
- 2.7 The Board received the annual environmental report and requested further information on the office's water reduction strategy.
- 2.8 The Board received the annual health and safety report and requested further information on the office's air conditioning system in light of Covid-19 and, separately, on drivers' test.

Action: Daniel Lambauer to provide further information via correspondence on the requests for additional information in relation to the environmental and health and safety annual reports.

Quality

Transparency Report

- 3.1 Elaine Lewis (EL) presented the draft 2019-20 Transparency Report setting out NAO's quality arrangements for the financial audit and wider assurance practice including results from internal and external monitoring for the reporting period. She reported that the Financial Reporting Council's (FRC) review of NAO's 2018-19 audits was nearing completion and the office had received the final reports on five of the seven audits sampled with five completed reviews having been graded as either good or needing only limited improvements and three of them receiving the highest grade. The FRC had indicated however that two reviews were likely to receive the lowest grade. EL shared the executive team's disappointment with these results and set out the immediate actions taken on the key issues driving the poor grades to ensure they were not repeated in the 2019-20 audits. In addition she added that a root cause analysis to identify the underlying causes was underway. EL reported that the high scoring audits had demonstrated that NAO's methodology and training were capable of supporting high quality audits. The challenge was achieving that standard reliably and consistently.
- 3.2 The non-executives echoed the executives disappointment and concern over the results and sought assurance over the actions underway to ensure consistent progress on the trajectory for audit quality. GD responded that culture and under resourcing were two significant contributing factors. He set out the actions he and the executive team were taking to reverse the situation including the launch of the new values, introduction of a new management structure from 1 June with clear responsibilities and accountabilities for quality and increased investment in NAO's internal quality arrangements and technology. He reported the launch of the audit quality plan setting out how the executive team would ensure consistent high quality in NAO's audits, building

on what was already contained in the ODP. The Board would receive regular progress reports on the plan. Furthermore the Board would receive an update on the audit software review project at their next meeting.

- 3.3 The Board recommended that the actions underway to continue to improve quality should be given greater emphasis in the report. Subject to this, the Board approved the 2019-20 Transparency Report for publication on the NAO's external website.

Action: Helene Morpeth to ensure the Board receives regular updates on the audit quality plan.

Impact

Ipsos Mori annual feed-back from MPs

- 4.1 The Board received the results of the Ipsos MORI winter 2020 omnibus survey of MPs noting the impact of the general election and the timing of fieldwork had influenced the results. The election returned a large number of newly elected conservative MPs as well as a smaller, though significant, number of new MPs from other parties who might not be expected to be as familiar with the NAO as returning members.
- 4.2 The Board discussed implications for the NAO and the proposed engagement plan to address the findings. It was agreed the proposed engagement plan should be turned into an action plan with concrete measures and milestones and shared with the Board via correspondence. The Board should receive an update on progress on the action plan in the autumn.

Action: Daniel Lambauer (HM) to circulate an action plan for addressing the findings in the MP survey with the Board via correspondence. Helene Morpeth (HM) to schedule a progress discussion in the autumn.

COVID-19 response

- 4.3 MB invited the Board to advise the executive team on the NAO's response to the Covid-19 outbreak. He reported that in normal circumstance this agenda item would have been discussed as part of the informal lunchtime briefings introduced at the beginning of the year.
- 4.4 Max Tse (MT) and Sian Jones (SJ) presented the NAO's framework for looking at the government's preparedness for and response to Covid-19 over a three-phased approach: the first consisting of factual reporting on preparedness, the second consisting of evaluative work from autumn 2020, with further work in 2021 setting out the lessons learned from government's preparedness and response to Covid-19 as part of the third phase of reporting. In addition, MT and SJ set out the internal engagement for this work with staff reporting on the positive outcome of a number of workshops held to explore scoping of the work. They also reported on the creation of a knowledge hub of key information drawing on the NAO's unique cross government reach and insight, including local government, to enable dissemination of good practice.
- 4.5 The non-executives advised on content and timing of reporting including the external communications engagement strategy.

Good Governance

Balanced scorecard and risk register

- 5.1 Daniel Lambauer (DL) presented the new approach to the balanced scorecard including how the scorecard is intended to enable the office to measure whether the actions it has committed to in the ODP are delivering the expected outcomes. He added that the first version of the scorecard was at an organisational level with work underway to set annual and five-year targets as appropriate.
- 5.2 The non-executives welcomed the approach commenting that the trick was not to over-engineer and aim for as much simplicity as is reasonably possible, ensuring that the office is measuring

the right things and incentivising the right behaviours. They added the people measures should include effectiveness measures such as exam pass rates, turnover rates, number of complaints and legal cases etc. In addition the delivery domain was externally focussed only and should include measures to track NAO's internal delivery of projects. Furthermore consideration of lockdown and the implications on homeworking should feature in the future evolution of the scorecard. Michael Bichard, Ray Shostak and Janet Eilbeck offered to provide their insight on the further development of the scorecard.

Action: DL and the reporting team to take into account the views of the non-executives in the further development of the balanced scorecard.

Risk register

- 5.3 The Board received the risk register to end of April and noted the next steps to integrate the risk register with the balanced scorecard.

Audit and Risk Committee

- 6.1 The Board approved the proposed update to the Audit Committee's terms of reference to reflect its expanded scope as an Audit and Risk Committee. The Board noted the update to the terms of reference had resulted in some additional tidying up of references to the internal audit function.

Board engagement plan

- 7.1 The Board endorsed the proposed engagement approach to increase their visibility with the wider office and develop key messaging for the Board's activities and communications including leveraging non-executive skills and experience to benefit the wider work of the office. The Board agreed the next step should be to turn the approach into an action plan and share with the Board for their comments.

Action: Helene Morpeth (HM) to develop an action plan for the Board's engagement with the office and share via correspondence.

BYOD

- 7.2 Helene Morpeth (HM) provided a verbal update on the project to integrate the non-executives with the NAO's IT infrastructure.

Any other Business

Board compliance with its terms of reference

- 8.1 The Board noted the outcome of the Board's compliance with its terms of reference in 2019-20 and recommended that Helene Morpeth (HM) should initiate a review of the Code of Practice between the C&AG and the NAO and present findings in the autumn. The Board recommended that the external evaluation of the Board's performance should be delayed to 2022 in light of the arrival of a new chair in January 2021.

Action: HM to present findings of the review of the Code of Practice between the C&AG and the NAO in the autumn.

Service desk tender postponement

- 8.2 The Board noted the postponement of the service desk tender procurement.

Feed-back

- 8.3 The Board suggested that future agendas should reflect the impact of video conferencing. They suggested shorter meetings should be considered and commented they would not be averse to increasing the number of meetings, as required, to deliver the Board's programme of work.

Action: HM to factor in the impact of video-conferencing on the future scheduling of the Board's programme of work.

Date and time of next meeting

8.4 The Board noted 30 July 2020.