



National Audit Office

Board Minutes

Meeting held on 1st February 2022 from 10:00 to 12:45 hrs.
In Blue Mezz 1 and 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
Elaine Lewis	EL	Executive Director responsible for Financial Audit Quality Assurance
Attendees		
Kate Mathers	KM	Executive Director responsible for Financial Audit service line
Rebecca Sheeran	RS	Executive Director responsible for VFM service line
Max Tse	MT	Executive Director responsible for Knowledge
Katie Clifford	KC	Head of HR Policy and Services (item 4)
John McCann	JMcC	Director HR (item 4)
Hannah McNicholl	HMcN	Director External Relations (item 5)
Benjamin Peters	BP	Head of External Communications (item 5)
Sade Phillips	SP	Head of Finance and Procurement (item 4 and 6)
Susan Ronaldson	SR	Director Audit Transformation Programme (item 2)
Helen Smith	HS	Specialist contractor (item 2)
Nigel Terrington	NT	Director Strategy (items 3 & 6)
Tim Valentine	TV	Director Finance (items 3 & 6)
Polly von der Becke	PvdB	Head of HR Policy and Services (item 4)
Saria Usman	SU	Head of Reporting (item 6)
Angus Waugh	AW	Director Digital Services (item 2)
Rebecca Webb	RW	Lead on Risk Management (item 6)
Helene Morpeth	HM	Head of Governance and Risk
Observer		
Paul George	PG	Partner, Board Excellence

Welcome

- 1.1 Dame Clare Tickell welcomed members and attendees to the meeting, held in person, following the lifting of recent government restrictions. She reported she would chair the meeting until the arrival of Dame Fiona Reynolds who was delayed due to late running trains. Sir Martin Donnelly would also arrive late due to similar transport problems.¹
- 1.2 Dame Clare extended a special welcome to Paul George observing the meeting as part of the external evaluation of the Board.

Apologies for absence

- 1.3 Apologies were received from Adrian Jenner.

Declaration of Interests

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

Minutes of the last meeting

- 1.5 The Board approved the minutes of the meeting held on 14 December 2021 as an accurate record, including the publication of the minutes on the external website.

Action Log

- 1.6 The Board noted there were six actions on the log of which three were complete and their deletion from the log was agreed. The remaining three open actions were on track for completion by their due dates.

C&AG report to the Board

- 1.7 The C&AG provided his report on key matters arising since his last update covering progress on the financial audit and value for money work programmes, Parliamentary engagement, and staff engagement. The C&AG reported he has qualified his regularity opinion on the 2020-21 Department of Health and Social Care accounts because £1.3 billion of the Department's COVID-19 spending was spent either without the necessary HM Treasury approvals or in breach of conditions set by HM Treasury. He reported he has also qualified his regularity opinion due to insufficient evidence to show that the Department's spending, particularly on COVID-19 procurement, was not subject to a material level of fraud.
- 1.8 The C&AG's update led to a wide ranging discussion on issues such financial management capability within Whitehall; resilience and importance for the civil service to draw on lessons learned from the pandemic to improve outcomes for citizens. The Board discussed the remote event held for senior civil servants on 20 January and commented that it represented a good start to engaging with key stakeholders and developing a programme of public events to inform NAO's strategic thinking.

Parliamentary Update

- 1.9 The C&AG provided a verbal update, on behalf of Adrian Jenner, on recent Parliament developments. The Board noted that the term of office of Dame Meg Hillier as Chair of the Committee of Public Accounts (PAC) would come to an end at the end of the current Parliamentary session. The appointment of the next PAC Chair would be by election among MPs following the next general election. It was noted the NAO would plan for different scenarios.

Quality

¹ Dame Fiona joined the meeting at 10:30 and chaired the meeting from this point onwards till the end of the meeting.

2. Audit Transformation Programme

- 2.1 Kate Mathers and Susan Ronaldson presented the full business case for the Audit Transformation Programme (ATP), for Board approval, setting out the updated benefits and costs and the recommendation to the C&AG to award the strategic contract to the preferred supplier following a rigorous and transparent procurement process. They reported the full business case outlined front line costs of £29.9 m over 15 years, including £9.9m of external costs for the four-year delivery phase. The Board noted that the Public Accounts Commission (TPAC) had approved an investment of £2m per annum for audit technology until 2024-25 and the remainder was affordable within ongoing NAO budgets.
- 2.2 The Non-Executives questioned the team on the service that would be provided, how risks would be identified and managed, and recommended building a strong partnership with the preferred supplier as a priority from the word go. They suggested the preferred supplier should give assurance about routes for escalating matters to senior executives within their company should the need arise. The Non-Executives sought assurance on the detail of the offer to the NAO from the preferred supplier which was provided by Susan Ronaldson. In further discussion, the Board sought assurance that the NAO represented a sufficiently strategic client for the preferred supplier to enable the office to have leverage. In this respect the Board noted clear benefits for the preferred supplier to work with the NAO including the potential to offer the audit software to other Supreme Audit Offices in future.
- 2.3 The Board approved the full business case and associated budget.

Actions: Kate Mathers and Susan Ronaldson to i) provide the Board with details of ATP risk management and ii) include the Audit Quality Board in the overall governance arrangements for the ATP.

Finance and Natural Resources

3. Approval of documents for submission to the Public Accounts Commission (TPAC)

- 3.1 Daniel Lambauer thanked the Non-Executives for their scrutiny of the draft annual update to the NAO Strategy document and the proposed 2022-23 Estimate received in advance of the Board meeting. He reported all comments had been taken into account. Following discussion, the Board agreed the need for greater clarity and transparency on how we will return, within the strategy period, the additional resources provided to the office by Parliament for the work arising from the pandemic, and that once adjusted for inflation, the overall resources required to carry out NAO's work will reduce. Subject to incorporating this clarification, the Board approved the annual Strategy update and the 2022-23 Estimate for submission to TPAC.

Code of Practice between the C&AG and NAO

- 3.2 The Board received the proposed revised Code of Practice between the C&AG and the NAO following endorsement of the draft Code at the Board meeting in December. Helene Morpeth reported that the consultation on the draft Code with the HM Treasury, as mandated by the Budget Responsibility and National Audit Act, had now been completed with no comments of substance received from the Treasury to bring to the Board's attention.
- 3.3 The Board approved the revised Code of Practice noting the next step would be for TPAC to review and, if thought fit, to approve the Code and lay it in Parliament.

NAO PCS Branch Pay Claim

- 3.4 The Board noted the NAO PCS Branch pay claim for 2022-23 and commented that many of the issues raised by the Union were subject to consideration in the proposals contained in the review of NAO's pay framework.

People

4 Review of NAO's pay framework

- 4.1 The Board received an update from Katie Clifford and John McCann on the next steps on the review of the NAO's pay framework following initial consultation on the scope of the review with the Remuneration and Nominations Committee in October 2021. The Board noted the three key aims of the review were: to develop a framework that is rewarding and motivating to colleagues taking into account NAO's operating context; address historic pay gaps and present proposals which are defensible vis a vis TPAC. The Board discussed some of the key findings from the consultation with staff for example: concerns that pay awards have not kept pace with inflation and other costs of living; whether differentials between London and Newcastle are justifiable in light of increase in home-working; ability to recognize high performers following the removal of performance related pay, and in-grade pay gaps from recently promoted colleagues.
- 4.2 The Non-Executives commented that the survey findings were not surprising and NAO should be clear about the priorities it wished to address as part of the review and also the behaviours it wished to encourage and promote. The Non-Executives suggested the idea of developing an attractive secondments policy, for example, should be explored as part of the non-financial benefits of working at the NAO. The Board were not in favour of introducing a financial reward for top performers on the basis of proportionality either in principle or given the relatively modest monetary values involved versus management time absorbed in moderation.
- 4.3 The Board noted it would be consulted on next steps in April in advance of agreement of final proposals at the Board meeting in June.

NAO health service contracts

- 4.4 The Board received the business case for the re-tendering of six broad outsourced services which help support the NAO in meeting its legal duties and providing a healthy and supporting environment for NAO people. The Board noted the current framework for these contracts comes to an end in September 2022 with no option of further renewal. The Board discussed the areas for specific consideration as part of the tendering process for example improved waiting times for occupational health appointments; more pragmatic advice on occupational health advice and more flexible licensing arrangements for the provision of neurodiversity e-training.
- 4.5 The Board approved the recommendation from the Executive Team, informed by advice from the NAO's procurement team, of letting the provision of health services in two lots. The Board noted the costs of the outsourced services was covered in NAO's 2022-23 budgets amounting to a total of circa £900 over the four years of the contractual period.

Impact

5 External Website

- 5.1 The Board received the business case for the next steps in relation to the external website development following approval to move to the Alpha phase at the Board meeting in July 2021. Following a brief discussion on the three potential options in the business case, the Board agreed to move straight into Beta phase noting this option allowed the website team to focus all their time and budget on building a minimum viable product that could still be iterated based on further user research before it went live in the summer. As part of the next steps the Non-Executives suggested further work should be done on taxonomy to make the website easier to navigate and more intuitive for the user.

Action: Helene Morpeth to liaise with the website development team for a convenient date to demonstrate the new site before it goes live.

Business Reports/Good Governance

6 Performance Framework

- 6.1 The Board received the results of the balanced scorecard to end December 2021 noting the positive changes in RAG rating in respect of the performance indicators on 'progress against the Strategy' and 'the external website upgrade project.' The Board noted the ATP remained at

red/amber as a marker of the high impact should the programme not deliver. However the rating is expected to improve, in light of the award of the contract with the strategic partner and the move towards the first phase of delivery. The Non-Executives raised the gap between disabled and non-disabled people taking a lead role on work which led to a discussion on potential causes and solutions.

Strategic risks

- 6.2 The Board received the strategic risk register as at December 2021 noting the removal of the risk on 'enhancing our financial audit quality accountability arrangements' following the successful TPAC hearing in November 2021. The Board also noted the decrease in impact of the risk relating to outturn not within budget following successful mitigating actions.
- 6.3 The Non-Executives suggested future highlight notes should focus on the risks with greatest strategic impact where Non-Executives can add most value to the discussion.

Action: Risk Management Team to reflect the Board's comments in the highlights note submitted to the next meeting of the Board.

Non-Executive succession

- 6.4 The Chair presented the outcome of a high level Board skills and diversity analysis to inform the succession planning for Janet Eilbeck's replacement following the end of her six year term of appointment in October 2022. The Board agreed skills and experience in the digital and technology sectors would enhance the overall balance of skills. The Board also agreed the upcoming campaign should focus on attracting a strong short list of candidates from ethnic minority backgrounds. The Non-Executives suggested ensuring the search reached all parts of the country to maximise the reach for talented candidates. The Board noted a more detailed discussion would be held at the forthcoming Remuneration and Nominations Committee meeting.

Any other Business

7 Feedback and reflections

- 7.1 The Chair suggested business cases could be shortened in future with key points for discussion summarized in the cover note. One of the Executive members commented that the C&AG's update had encouraged the most lively debate and suggested more time should be spend on this item in future. It was agreed this would add value, in particular if the discussion is framed around strategic implications for the NAO.
- 7.2 The C&AG commented that the discussion on the ATP, including the Non-Executives' insights on risk management, had been very helpful.
- 7.3 Helene Morpeth updated the Board on options for the self-funded Board dinner on 23 March. The Board agreed a private room in a local pub would work well.

Date and time of next meeting

- 7.4 The Board noted the next meeting would be held on 24 March 2022, preceded by a Board workshop on the previous day, to discuss the findings from the external Board evaluation.