



National Audit Office

NAO Board Minutes

Meeting held on 2 July 2019 from 11:30 to 14:00
157-197 Buckingham Palace Road, London SW1W 9SP

Present		
Michael Bichard	MB	Chair
Gareth Davies	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
Daniel Lambauer	DL	Executive Member, Strategy and Operations
Stephen Smith	SS	Executive Member, Financial Audit
Max Tse	MT	Executive Member, VFM and Digital
Attendees		
Abdool Kara	AK	Executive Leader, Local public services
Kate Mathers	KM	Executive Leader, Financial Audit
Rebecca Sheeran	RS	Executive Leader, VFM
John Thorpe	JT	Executive Leader, Financial Audit
Mark Allen	MA	Head of Policy and Legal (items 2.4-2.7 inclusive)
Steve Corbishley	SC	Director, CQU
Rachel Kirkham	RK	Audit Manager, Practice Quality
John McCann	JMcC	Director, HR
Nigel Terrington	NT	Interim Head of Strategy and Corporate Affairs
Tim Valentine	TV	Director, Finance
Helene Morpeth	HM	Board Secretary and interim Head of Governance

Item 1

Transactional Business

Welcome and Apologies for absence

- 1.1 Michael Richard (Chair) welcomed members and attendees to the meeting. He extended a warm welcome to Gareth Davies, the new Comptroller and Auditor General who took up office on 1 June 2019. There were no apologies for absence.

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 meeting held on 23 May 2019 including their publication on the NAO's external website.

Action Log

- 1.4 The Board noted the log contained six actions three of which were complete and approved their deletion from the log. The three remaining open actions were in hand.

C&AG update

- 1.5 The C&AG provided his first update to the Board since becoming C&AG commenting on the smooth handover of responsibilities from his predecessor. He reported he has made staff engagement his early priority. In his first weeks in post he has attended several cluster events and grade specific introductory meetings and visited the Newcastle office. Within his first week in office he has also written introductory letters to all Accounting Officers and several MPs. Introductory meetings are being scheduled. To date he has attended five Public Accounts Committee evidence sessions. He updated the Board on the value for money reports and other outputs published since the last Board meeting.

Item 2

Good governance

Business Reports

- 2.1 The Board received the monthly business report, noting there were no specific issues arising at this point in the business cycle. Members enquired as to the progress of work around the transfer of NAO pension data to My CSP and were informed that it had been completed, with all matters resolved. Daniel Lambauer (DL) reported the 2019 financial impacts process had been brought forward following a helpful discussion at the Audit Committee on the impacts cycle at their meeting in May.

Strategy review process

- 2.2 The Board received a paper outlining the extensive strategy review process that aims to substantially refresh the NAO's strategy. The Board noted it had been seven years since the last strategic review. At the end of the review, the aim is to have a strategy that clarifies NAO's vision, mission and strategic objectives and the rationale for change. In addition, the new strategy should have buy in and energize NAO people and external stakeholders. The Board noted the four distinct phases of engagement (phases 1 to 4) covering the period June 2019 to April 2020 onwards. The Board welcomed the work undertaken so far as part of phase 1.

- 2.3 The Board enthusiastically endorsed the strategic review process launched by the new C&AG and the Leadership Team, and agreed the principles supporting the strategy process. They welcome the ambition of an in-depth review which considers the views of NAO people and external stakeholders. The Board commented they looked forward to being actively engaged throughout the strategy formulation process, collectively and individually in line with their governance responsibilities and specific skill sets.
- 2.4 The Board agreed the review process should be properly resourced and welcomed the proposal to engage external experts / facilitators as required. The Board agreed to put aside two separate strategy days, in September 2019 and January 2020, to allow for in-depth collaboration and co-creation on the strategy review.

Item 3

Strategic Insight

Kingman Review

- 3.1 The Board received an update on progress on the C&AG's response to the Kingman Review following their discussion in May on the proposed way forward including influencing plan. The Board discussed the engagement strategy initiated so far with Parliament, in particular with the Public Accounts Commission (TPAC) and separately with government through BEIS. In the course of the discussion, the Board recognised the scope to build on arrangements to provide greater transparency about the quality of NAO's audit work.

ITEM 4

Operational insight

Financial Audit Quality

- 4.1 The Board discussed the results and findings from the AQRt (Audit Quality Review team) review of a sample of seven 2017-18 audits (four relating to Company Act audits and three audits from the wider practice). The AQRt results show where audit quality has been maintained as well as further areas to address. The Board endorsed management's assessment that the Financial Audit Development Plan (FADP), which is the change project aimed at improving and evolving the NAO's financial audit practice, is the correct vehicle for addressing any risks to audit quality.
- 4.2 The Board noted the immediate action taken for 2018-19 audits (as published in the Financial Audit Bulletin for financial audit teams) and priorities for 2019-20 and beyond to inform how the NAO responds to the quality challenge, including initial thinking on the replacement of Mki. It was agreed the Board should hold a follow up discussion on audit quality in the autumn.

Audit Information Management System (AIMS)

- 4.3 The Board discussed and approved the business case for a new Audit Information Management System (AIMS), noting AIMS will support the NAO's existing data requirements by replacing the Catflap legacy system which is no longer fit for purpose with a scalable, flexible, cloud-based system that supports standardisation of data across the financial audit practice. The Board noted AIMS will also provide a platform to support the goal of embedding data analytics as standard in NAO's audit work.
- 4.4 It was agreed the Board should discuss how IT is supporting the financial audit practice at a future Board meeting. It would be helpful to set this discussion in the context of a strategic and holistic change programme which should also include consideration of resilience and capacity of staff to absorb change.

Cluster accountability

- 4.5 The Board discussed the year end cluster accountability review process for 2018-19. At the request of the Board, the accountability process majored on the theme of compliance. The Board compared performance on compliance, across the clusters, against the following criteria: overdue audit fees and billing milestones, value for money external cold reviews, value for money internal cold reviews, colleagues working over five extra hours per week, and financial impacts outcome summary.

ITEM 5

Any other business

- 5.1 The Board noted the minutes of the Audit Committee held on 23 May 2019.

ITEM 6

Date of next meeting

- 6.1 The Committee noted the Board strategy day would be held on 16 September 2019. The next meeting after September would be the Board meeting in Newcastle on 24 October 2019.