



NATIONAL AUDIT OFFICE

STANDING ORDERS FOR THE BOARD

(Also known as “Procedural Rules”)

Approved by the Board on 23 February 2012

Membership

1. The National Audit Office (“NAO”) Board shall have the following membership:

Comptroller & Auditor General (C&AG)	1
Non-executive members (of which one shall be Chair)	5
Executive (“employee”) members	<u>3</u>
Total members	9

Appointments

2. The C&AG is appointed by the Queen through an address to the House of Commons. The Prime Minister, with the agreement of the Chair of the Public Accounts Committee, moves the motion for the address.
3. The C&AG may hold office for up to ten years and may not be re-appointed thereafter.
4. The Chair is appointed by the Queen through an address to the House of Commons. The Prime Minister, with the agreement of the Chair of the Public Accounts Committee, moves the motion for the address.
5. The Chair is initially appointed for three years. The Chair may be reappointed for one additional three year term only.
6. Non-executive Board members (including the Chair) are appointed by the Public Accounts Commission, upon the recommendation of the Chair, for an initial term of up to three years. The Public Accounts Commission may appoint the person nominated by the Chair or require the Chair to recommend other individuals until the vacancy is filled. Non-executive Board members may be re-appointed for one additional term only.

7. Executive members are appointed by the non-executive members following a recommendation from the C&AG. The non-executive members may appoint the person nominated by the C&AG or require the C&AG to recommend other individuals until the vacancy is filled.
8. The procedure for appointing Board members will be formal, rigorous and transparent. Appointments will be made on merit and against objective criteria.

Resignation

9. The C&AG may resign by giving written notice to the Prime Minister.
10. The Chair may resign by giving written notice to the Prime Minister.
11. A non-executive member may resign by giving written notice to the Public Accounts Commission.
12. An executive member may resign by giving written notice to the non-executive members.

Removal

13. The Queen may remove the C&AG on an address to both Houses of Parliament.
14. The Queen may remove the Chair on an address to both Houses of Parliament.
15. The Public Accounts Commission may remove a non-executive member by giving written notice in any of the circumstances set out in paragraph 15a) below.
16. The non-executive members may remove an executive member by giving written notice in any of the circumstances given below at a).
 - a) If the member:
 - Has been absent from Board meetings without the Board's permission for a period of more than three months;
 - Is the subject of a bankruptcy restrictions order (or interim order);
 - Has had their estate sequestrated in Scotland or, under Scots Law, has made a composition or arrangement with, or granted a trust deed for, their creditors;
 - Is unfit to continue the appointment because of misconduct;
 - Has failed to comply with the terms of the appointment; or
 - Is otherwise unable, unfit or unwilling to carry out the member's functions.

17. The appointment of an executive member shall terminate when the member ceases to be an employee of the NAO or at the end of the period specified by the non-executive members in the terms of the member's appointment.

Meetings

18. The Board shall normally meet eight times in each year with other meetings as necessary.

19. No resolution may be rescinded or varied unless its reconsideration appears as a separate item on the agenda of a subsequent meeting, thus, it cannot be rescinded or varied under Matters Arising.

20. Items for Board Agendas shall be given to the Board Secretary three weeks before the meeting and papers supporting Agenda items at least seven working days before the meeting, to enable the Secretary to despatch Agendas and papers to members, five working days prior to the meeting.

21. Any member may request that an item is included on the Agenda. Such items are to be brought to the notice of the Chair and C&AG prior to finalisation of the agenda.

22. Board meetings will be called by the Secretary who shall send written notice of the meeting, the Agenda and papers to the members at least five working days before the meeting.

23. A special meeting of the Board may be called at any time by the Chair or at the request in writing of any three members. This meeting may be called with less than five working days' notice if the Chair so directs, on the ground that there are matters demanding urgent consideration.

24. Staff of the NAO may be invited to attend Board meetings.

25. Board members may attend meetings of any of the Board's Committees subject to the procedures set out in the respective Committees' Terms of Reference.

Chair

26. The Chair of the Board will be one of the non-executive members. The Senior Independent Member (who will also be a non-executive member of the Board) may deputise for the Chair in cases of extreme emergency.

Chair's Action

27. The Board shall authorise the Chair, to act on behalf of the Board between meetings, in specific circumstances.
28. The Board empowers the Chair to act on its behalf when dealing with routine actions which would not normally merit an Agenda item at a Board meeting, for example the signing of routine documents on behalf of the Board.
29. Occasionally, the Chair will need to act on behalf of the Board between meetings on more weighty issues. Where possible authority will be given by the Board at a prior Board meeting and minuted accordingly to authorise the Chair's action(s).
30. Exceptionally, the Chair's action may be required on an urgent matter, where delay would seriously prejudice the NAO. In such circumstances the Secretary will ensure that the Chair's action is reported to the next Board meeting and recorded in the minutes of that meeting by way of ratification. In such circumstances, the Board shall fully accept corporate responsibility for any action taken.

Quorum

31. The quorum shall be five members the majority of which shall be non-executive members. A member shall be entitled to participate in Board meetings by telephone conference call and shall be counted in the quorum if participating in the meeting in this manner.
32. A meeting must remain quorate for its full duration. Should members arrive late or leave for any reason, quoracy must be maintained. If the meeting is or becomes inquorate, Board decisions can no longer be made and any discussions shall be informal only. The Chair may decide to call a Special meeting to undertake the remaining business.

When non-executive members are not in the majority

33. In the event that non-executive members are not in a majority, the Chair may request the C&AG to nominate an executive member who will take on an observer role for the remainder of the meeting or until such time as quoracy can be restored by the arrival of an additional non-executive member. (See Annex 1 quoracy table).

34. The Chair may ask the C&AG to nominate a second executive member to take on an observer role if this is necessary in order to achieve quorum.
35. To ensure the fullest consideration of matters, the Chair may ask any executive member attending as an observer for their opinion on a matter. However, the opinion of an executive member attending as an observer shall not be incorporated into the formulation of Board decisions.
36. In the event of a vote of Board members, an executive member who is attending in an observer capacity shall not be entitled to vote.

Voting

37. Every matter to be decided at a Board meeting shall be determined by a majority of the votes of the members present and voting on the matter under consideration. Where there is an equal division of votes, the Chair of the meeting shall have a second or casting vote.
38. Proxy or postal votes on behalf of absent members are not permitted.
39. The members shall decide whether the vote should be taken by secret ballot. A secret ballot shall be held if a majority of members so agree.
40. Dissenting members shall have the right to have their dissent recorded in the minutes together with the reason(s) for such dissent.
41. In order to retain independent judgement and integrity, members shall not be bound or swayed in their deliberations and the manner in which their votes are cast, by mandates given to them by other bodies or persons.

Minutes and papers

42. Where possible, items for discussion by the Board should be supported by a covering paper and report to provide the necessary information for debate. All such papers or reports should have a proposed recommendation or resolution for the Board to consider.
43. Verbal reports should, where necessary, provide a clear proposal for the Board to consider as a formal decision or resolution.
44. The Board shall ensure (via the Board Secretary) that a copy of the approved minutes of every meeting of the Board shall be placed on the NAO website for a minimum period of 12 months.
45. All minutes determined by the Board to be confidential, will not be made available for public inspection.

46. At every meeting of the Board, the minutes of the last meeting shall be an agenda item, (save in cases where the members present decide otherwise), and, if agreed, shall be signed by the Chair as a true and accurate record.
47. Minutes shall be taken of those parts of meetings (Part 2 meetings) from which the Secretary or executive members have withdrawn. However, these will be recorded separately from the minutes taken by the Secretary. The Secretary and executive members who have withdrawn from Part 2 meetings shall not be entitled to see the minutes of that part of the meeting.
48. The Chair will determine which Agenda items are to be Part 2 matters at the commencement of the meeting and inform the meeting accordingly. Only items so notified shall be discussed within the Part 2 meeting.
49. Board papers will be circulated to members at least 5 working days in advance of the meeting at which they will be presented.
50. Board papers shall be prepared in accordance with the NAO internal guidance on Board and Committee papers.
51. A schedule of NAO Board Information Requirements and Regular Items for Consideration by the Board are attached at Annex 2.

Disclosure

52. In addition to the minutes of the Board (non-confidential matters only) the Board's Terms of Reference and membership shall be available on the NAO website.
53. The NAO Annual Report will describe the role, responsibilities and composition of the Board and its committees and how the annual appraisal of the Board was carried out. The number of meetings of the Board, the attendance record of members and fees paid during the year will also be disclosed in the Annual Report.

Confidential items

54. The Chair and Secretary shall together identify agenda items which will be classified as confidential.
55. The Board will review the items classified as confidential on an annual basis to ensure that the designation was used appropriately and only when necessary.

Declarations of interest

56. Where a Board member has a financial interest in the supply of work or goods to, or for the purposes of, the NAO; any contract or proposed

contract concerning the NAO; or any other matter relating to the NAO, it shall be the responsibility of that member to declare their interest. They shall not take part in any discussion, nor form part of the quorum, nor vote on the relevant matter and the Chair may require them to withdraw from the meeting until the Agenda item giving rise to the conflict or potential conflict has been concluded.

57. It is the duty of each member to also disclose if a conflict or potential conflict arises in relation to the dealings or interests of his/her spouse, partner and close family members.
58. Upon consideration by the Board, the duty of disclosure may also be extended to include non-financial personal interests, such as membership of other public bodies and institutions; trusteeship of a trust where the member, or other person connected with them, may be a beneficiary.
59. A Register of Members' Interests shall be held by the Secretary.
60. When a Board member makes a declaration of interest it shall be recorded in the minutes by the Secretary.
61. The Secretary shall advise the Chair before a meeting and draw the matter to the attention of the member if, based on a declaration in the Register of Members' interests, there appears to be a conflict or potential conflict arising as a result of the member's personal or financial interest or otherwise, in relation to an Agenda item.
62. When a member has or may have a conflict of interest, the Board as a whole shall decide what procedure should be followed to safeguard the integrity of the Board and the member concerned.
63. Executive members and, where applicable, the Secretary are obliged to withdraw from any part of a meeting which is discussing:
 - their own remuneration, conditions of service, promotion, conduct, suspension, dismissal or retirement; or
 - the appointment of their successor.
64. When the Board is considering the appointment, remuneration, conditions of service, promotion, conduct, suspension, dismissal or retirement of another executive member more senior to the executive members of the Board, the executive members shall be required to withdraw if required to do so by the resolution of the other members present.

Conduct

65. The expectations for conduct are set out in the Code of Conduct. These apply to all Board members and all members of Board Committees.

Training

66. Board members should undertake continuous professional development to ensure they maintain the necessary level of skill and expertise. To facilitate this, the on-going training needs of Board members will be considered annually by the Secretary through self-assessment by members and discussion with the Chair. The NAO will make resources available to provide new Board members with a suitable induction and existing members with appropriate on-going training.

Performance evaluation

67. The Board's performance (including the performance of its committees) will be evaluated by the Board on an annual basis. Every third year an evaluation will be performed by an independent external consultant.

68. Actions to address any weaknesses identified will be allocated to named individuals and the board will monitor implementation of actions.

Indemnification

69. Board members are indemnified by the Consolidated Fund for a liability arising from a breach of duty in relation to any audit or examination carried out as part of the C&AG's functions.

Committees of the Board

70. The Board may establish additional Board committees for any purpose or function (other than those assigned elsewhere in statute), and may delegate powers to such a committee, in addition to any powers that the Board may have delegated to the Chair of the Board or to the C&AG.

71. Duties and responsibilities that the Board cannot delegate are set out in the Schedule of Reserved Matters.

72. The Board shall establish an Audit Committee to advise it on systems of internal control, risk management and corporate governance. The members of this Committee shall comprise only non-executive members.

73. The Board shall establish a Remuneration Committee to advise it on the remuneration of employee members. The members of this Committee shall comprise only non-executive members.

74. The Board may also delegate functions to any of its members or NAO employees, save those set out in the Schedule of Matters Reserved. However, the delegation of a function shall not prevent the Board from carrying out the function itself.

75. The Board shall determine the numbers of members and terms on which the members serve on and are removed from committees.

76. A Board committee may delegate functions (including functions delegated to it) to a sub-committee. However, the delegation of a function shall not prevent the committee from carrying out the function itself.

77. An employee of the NAO who is not an executive member of the Board may be a member of a committee or sub-committee.

78. A person who is neither a Board member nor an NAO employee may be a member of a committee or sub-committee as long as no functions of the Board are delegated to that committee or sub-committee.

79. The Chairs of the Audit and Remuneration Committees shall be appointed by the Chair of the Board.

Disagreements between the C&AG and the Chair

80. In the event of disagreement between C&AG and Chair of the Board, the matter in dispute shall be referred to the members in Board meeting for resolution.

Validity of proceedings

81. The validity of proceedings of the Board or any committee or sub-committee shall not be affected by any vacancy or any defective appointment of any of its members.

NAO seal

82. The application of the NAO seal is to be authenticated by the signature of a member of the Board or any person authorised (whether generally or specifically) for the purpose by a member of the Board. A document purporting to be duly executed under NAO's seal or signed on its behalf is to be:

- a. received in evidence; and
- b. taken to be executed or signed in that way, unless the contrary is proved.

83. The Secretary will maintain a Register of Sealings recording all documents to which the NAO Seal has been applied which shall be open to inspection by the members, at any time.

Annex 1: Quoracy table

For the purpose of this table only (but not the Standing Orders generally)
the C&AG is termed an “Executive” Member

Total number	Non executive members	Executive members	Initially quorate?	Action to restore quoracy
9	5	4	Yes	
8	4	4	No	1 executive member becomes an observer, down to 7 voting members.
8	5	3	Yes	
7	5	2	Yes	
7	4	3	Yes	
7	3	4	No	2 executive members become observers, down to 5 voting members.
6	5	1	Yes	
6	4	2	Yes	
6	3	3	No	1 executive member becomes an observer, down to 5 voting members.
6	2	4	No	No meeting - quoracy cannot be achieved as non-executive member majority would mean only 3 members for meeting

Annex 2: NAO Board Information Requirements

(This Annex is also appended to the Terms of Reference for the Board)

NAO management will ensure that all information relevant to the Board's discharge of its responsibilities will be provided promptly to the Board.

As and when required the Board will be provided with:

- An oral report from the Comptroller and Auditor General, and
- Feedback from Public Accounts Commission.

As and when appropriate the Board will also be provided with:

- Approved minutes of Board Committee meetings held since the last Board meeting
- Key strategic and planning documents
- NAO objectives and reports of performance against them
- C&AG statutory work plan
- C&AG NAO approved service plan
- Annual resource and capital expenditure budgets and any subsequent material revisions
- Reports on financial performance against budget, including forecast of outturn
- Business cases for significant new corporate projects
- Reports on the allocation and cost of human resources
- NAO draft annual report including draft accounts
- Plans and progress reports on major capital projects
- Proposals to begin corporate projects or enter into contracts above £500,000 in lifetime costs, and other smaller projects and contracts that are strategically significant to the NAO
- Progress updates on key projects with strategic significance
- Key policy documents
- Significant changes in accounting policies or practices
- Reports on significant breakdowns in internal controls
- Audit Committee recommendations on the appointment, reappointment or dismissal of internal and external auditors
- Annual report of the Audit Committee
- Annual report of the Remuneration Committee
- Treasury policy
- Notification of use of Chair's action
- Remuneration policy for employee members of the Board
- Reports on the views of NAO stakeholders
- Report from the Chair on the Secretary's appraisal
- Conclusions from Secretary's annual Board training needs assessment
- Results of independent evaluation of the Board's performance
- Reports on succession planning
- Draft press releases concerning matters decided by the Board
- Proposals on the appointment of key professional advisers
- Reports on any litigation prosecution, defence or settlement
- Terms of reference of Board committees
- Board standing orders
- Schedule of reserved matters

Regular items for consideration

The following items are recurring agenda items:

- The Board will formally reconsider its terms of reference and standing orders annually.
- Review and revise as appropriate the strategy for national audit functions on an annual basis.
- Prior to each regular Board meeting, the Chair will convene a meeting of non-executive members without executives present.
- The Board will review annually the Code of Practice dealing with the relationship between the NAO and the C&AG.
- The Board will review annually the items from the past year that were declared confidential to ensure the classification was used appropriately.