



National Audit Office

**The Board**  
**13th Meeting**  
**3 December 2010**

# Minutes

# Present

## Members

Andrew Likierman	AL	Chair - Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Richard Fleck	RF	Non-Executive Member
Paula Hay-Plumb	PHP	Non-executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Michael Whitehouse	MW	Chief Operating Officer
Gaby Cohen	GC	Assistant Auditor General
Ed Humpherson	EH	Assistant Auditor General

## Attendees

Mark Allen	MA	Interim Board Secretary
Marcial Boo	MB	Director, Strategy, Knowledge & Communications (Items 6 & 8)

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

## Item 1

### Apologies for absence

- 1.1 AL informed the Board that Ruth Evans sent her apologies.

## Item 2

### Declarations of interest

- 2.1 There were none.

## Item 3

### Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 19 October 2010 were approved. No sensitive items were identified which would affect their public disclosure.
- 3.2 Progress on action points was noted. RF and GC updated the Board on action point BM/8.3/10.10/GC and the outcome of their meeting to discuss liability on non-statutory work. The Board noted RF's view that the current position was not clear-cut and that the advent of new National Audit legislation represented an opportunity to remove any doubt about this issue. In the interim, the issue of indemnity would be specifically considered case by case should the Board be asked to approve new contracts.
- 3.3 MK asked if a Board discussion on the NAO strategy would take place ahead of the January Board meeting.

**Action: Mark Allen**, to confirm arrangements for a proposed Board discussion on the NAO strategy in January 2011. (BM/3.3/12.10/MA)

- 3.4 The Board agreed the deletion of recommended items.

### Matters arising

- 3.5 There were none.

### C&AG's update

- 3.6 AM updated the Board on:

- The NAO strategy - this was approved by the Public Accounts Commission on 9 November 2010;
- Discussions with DCLG about the new arrangements for the audit of local bodies - AM noted the constructive nature of the discussions to date and stressed the importance of keeping the Public Accounts Commission and Public Accounts Committee aware of developments;
- Recent PAC sessions - these included two meetings on the Spending Review, a critical hearing on HMRC's problems in implementing the new PAYE system, and a seminar on changes to the NHS. AM highlighted the positive and innovative nature of recent engagement with PAC;
- External speaking engagements - AM had spoken to the Whitehall and Industry Group and the Institute of Government. The Board agreed that such activity is an effective way of drawing attention to the NAO's strategy;
- Financial audit documentation software - MW is leading a project board to consider options for replacing the existing software documentation package the NAO uses to support its financial audit work;
- Recruiting a replacement for Wendy Kenway-Smith - this is ongoing.
- Preparing a report on the Welsh Audit Office - AM informed the Board that, at the request of the Auditor General for Wales the NAO completed a report on the Welsh Audit Office's preparation of accounts. The findings would be presented to the Welsh Assembly. MK informed the Board that she had been invited to sit on the appointments panel for Welsh Audit Office Non-Executives.

## Item 4

### Business report and risk report

4.1 The Board asked what action management is taking to progress the two 'red' rated issues in the Business Report:

- Fee audit deficits - MW informed the Board that this issue remained red because the NAO had not yet raised invoices for some audits. The level of deficit was falling and the NAO was managing this issue actively;
- Reducing corporate costs - the Board agreed the need to take decisive action to reduce corporate service costs and achieve the desired balance between central

and front line resources. MW confirmed a target of 78:22 by the end of March 2011. The Board asked that future versions of the Business Report include details of progress against milestones.

**Action: Jim Rickleton**, to include progress against central cost reduction milestones in future versions of the Business Report starting in April 2011 (BM/4.1/12.10/JR)

- 4.2 The Board noted the risk report and discussed how the NAO keeps abreast of developing risks in sectors undergoing significant change. The Board acknowledged the value that audit teams can add by ensuring departments give proper consideration to governance and control issues when taking forward structural change.

## Item 5

### Six-month review of risk framework

- 5.1 MK reported that the Audit Committee had received a paper from Simon Henderson summarising progress and future plans for the review of the risk framework following its first six months in operation. MK confirmed that there were no significant issues arising from the Audit Committee's discussion that merited further consideration by the Board.

## Item 6

### Moderated feedback

- 6.1 MB presented a paper summarising the results of independent feedback on the NAO from clients and MPs. The Board discussed aspects of the paper including the underlying criteria and the key messages revealed by the feedback. The Board noted the clarity of MB's paper and was content with plans to address areas for development.

## Item 7

### Business plan

- 7.1 The Board discussed a paper presented by MW that provided an update on arrangements for the 2011-12 business plan. The Board acknowledged the Leadership Team's efforts to achieve buy-in from staff through consultation and the introduction of slicker processes to reduce burdens and facilitate increased focus on key priorities. The Board confirmed that it was content with the principles underlying the plan, identified priorities and the planned timetable.

## Item 8

### Staff survey results

- 8.1 GC presented three papers to support Board discussion:
- slides from the results of a presentation by ORC International (NAO's survey partners);
  - headline results - setting out the percentage of positive responses against each question asked in the survey;
  - action plan - the Leadership Team's response to the staff survey.
- 8.2 The Board asked whether the Leadership Team had sought to compare the results of the staff survey with the previous survey conducted in 2006. GC confirmed that the Leadership Team had taken the view that the 2010 survey should provide the baseline and had not therefore compared the results directly. In general terms where questions were comparable, there had been some progress since 2006. The Board agreed that the current survey provided a robust benchmark against which the results of future staff surveys will be compared.
- 8.3 The Board discussed the causes of variations in responses received from different staff groups, and the extent to which the new and more focused strategy, with consequent changes to long established working practices, had influenced some of the responses.
- 8.4 The Board was content with management's plans to address the development areas identified by the staff survey. The Board agreed that regular surveys, for example every twelve months, would help ensure the Leadership Team is well placed to track the effectiveness of its actions.

## Item 9

### Disclosure of minutes and constitutional documents

9.1 The Board considered the following issues arising from this paper:

- Proposed approach to the identification and treatment of confidential items in Board minutes, and the two items from last year's Board minutes which will be redacted prior to publication - the Board noted these and was content;
- Publication of Audit Committee and Remuneration Committee minutes - discussion focussed on the publication of Audit Committee minutes. The Board agreed that it is appropriate for the NAO to be 'ahead of the curve' in matters of openness and transparency. Accordingly, it agreed to publish Audit Committee minutes, subject to the operation of appropriate safeguards. In practice, this will involve Board scrutiny of Committee minutes ahead of publication.
- Publication of constitutional documents - the Board was content for these to be published.
- Proposed amendments to constitutional documents - the Board sought clarity on procedures for approving Non Executive Members' expenses. The Board agreed the following approach:

*“The Chair will authorise the C&AG’s expenses and the Chair of the Remuneration Committee will authorise the Board Chair’s expenses. The expenses of all Board members and AAGs will be subject to spot checks by Internal Audit prior to their disclosure on the NAO website on a six- monthly basis. The Internal Audit report on the expenses of all Board members and AAGs will be presented to the Chair.”*

**Action: Helene Morpeth**, to update the Remuneration Committee Terms of Reference to reflect the agreed approach to authorising Board member expenses

(BM/9.1/12.10/HM)

## Item 10

### Recommendation from Audit Committee on external auditor

- 10.1 MK provided an update on the selection panel's work and expressed thanks to Mark Babbington and Fatima Ozcelik for their contributions to the process. MK informed the Board that the Audit Committee had accepted the selection panel's recommendation that RSM Tenon be appointed for a second term as NAO's external auditor. The Board confirmed that it was content with the Audit Committee's recommendation to appoint RSM Tenon.
- 10.2 The Board agreed that when considering future appointments for the audit of the NAO it would be useful to be able to draw from a larger pool of providers, and consideration should be given to reducing the number of firms engaged to support financial audits and VFM studies undertaken by the NAO to enable this.

## Item 11

### Any other business

- 11.1 The Board noted the papers received for information. These comprised a paper on the Annual Diversity Report 2009-10, a briefing on skills, and the draft minutes of the 19 October 2010 Remuneration Committee meeting. The Board raised no issues of substance on these papers.
- 11.2 PHP informed the Board that she is converting her consultancy appointment with Rosling King LLP to a permanent part-time FDship. PHP confirmed that this change in her outside interests did not create a conflict of interest with membership of the NAO Board.

**Mark Allen**

Interim Secretary, 4 December 2010

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**Chairman**