



National Audit Office

The Board
6th Meeting
24 February 2010

Minutes

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Ruth Evans	RE	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Richard Fleck	RF	Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Michael Whitehouse	MW	Chief Operating Officer
Gabrielle Cohen	GC	Assistant Auditor General
Ed Humpherson	EH	Assistant Auditor General

Attendees

Victoria Keilthy	VK	Head of Governance & Policy (minute taker)
Julian Wood	JW	Director of Corporate Affairs (Item 5)
Jim Rickleton	JR	Director General Finance and Commerce (Items 4 & 7)
Jeremy Lonsdale	JL	Director General VFM Audit (Item 6)

The Minutes record the business of the Board in Agenda order

Item 1

Apologies for Absence

1.1 There were none.

Item 2

Declarations of Interest

2.1 There were none.

Item 3

Minutes of Meetings, Action Points, Matters Arising and C&AG's update

3.1 The **Minutes** of the meeting held on 15 January 2010 were approved and progress on **Action Points** was noted.

Matters arising

3.3 In response to an AOB item at the last meeting, MW confirmed opportunities for non-executive members to engage with the business would be identified for discussion at a future Board meeting.

Action: Michael Whitehouse (BM/3.3/02.10/MW)

Update from C&AG

3.4 AM updated the Board on:

- the recent meeting with the Audit Commission which led to commitments to joint action in a number of areas;
- work underway to put the corporate strategy into action including greater flexibility in the forward work programme and a broader range of outputs;
- steps taken to understand the priorities of all major political parties in the run-up to the election;
- his attendance at a Wednesday morning meeting of Permanent Secretaries; and
- our engagement with the media on VfM reports

Item 4

Business Report

4.1 The Board considered the business report to 31 January 2010, which showed improvements in the RAG ratings for financial impacts and IFRS implementation support from Amber to Green.

The Board discussed:

- The high level of unallocated staff due to the fact that interim audits have finished and final audits have not yet begun. Financial Audits Directors have been asked to work with clients to schedule more work in March and April. A new mechanism for deploying staff has also been agreed and will be rolled out in September;
- Progress on full cost recovery for fee-based audits which is progressing well and provides confidence that full cost recovery will be achieved by the end of the next audit cycle in line with our fee policy;
- The delays on the PSA/DSO validation work. MW is monitoring progress weekly to ensure the remaining audits are cleared promptly; and
- The desire for increased reporting of risk in the business report.

Action: Simon Henderson, increased risk reporting in business report
(BM/4.1/02.10/SH)

Item 5

Draft Business Plan

5.1 The Board welcomed the opportunity to review the latest draft of the business plan. Members described it as an exciting document and recognised the challenges of its development, such as the formulation of performance indicators.

5.2 The Board made a number of suggestions for the next iteration including:

- being clear about the prime audience for the document and ensuring the language is clear and tailored to the audience. In particular it would be important to be clear about the use of the term 'campaign issues';

- greater clarity about how we will measure achievement of the changes set out in the plan;
- stronger links between the strategy and a) the measures of success and b) risk;
- greater coherence between the discussion of risk in the business plan and the discussion of risk in other corporate documents.

5.3 The Board's comments will be absorbed in the next iteration of the business plan.

Action: Julian Wood, business plan amendments (BM/5.3/02.10/JW)

Item 6

Draft VfM Programme

- 6.1 The Board reviewed the draft VfM programme and explored the steps that had been taken to ensure the right topics were included and stakeholders had been consulted. JL agreed to share the selection criteria with non-executive members. The Board welcomed the flexibility built into the programme which will enable the NAO to respond to external developments during the year.
- 6.2 AM drew attention to the increase in the number of cross-government studies and the inclusion of study topics where the power of individual studies derives from their close alignment with related studies.
- 6.3 The Board noted that the benefit of joint working with the Audit Commission tends to lie in working together on the improvement agenda rather than on specific joint VFM reports. Joint good practice publications are issued where greater impact can be derived e.g. on procurement.

Action: Jeremy Lonsdale, sharing VFM selection criteria with non-executives (BM/6.1/02.10/JL)

Item 7

NAO estimate

- 7.1 The Board considered the NAO resource estimate for 2010-11 and **approved** its submission to the Public Accounts Commission prior to the hearing on 16 March 2010.

Item 8

VfM Topic

8.1 MK presented the Audit Committee's recommendation to the Board that the VFM topic examined by the external auditors should be the effectiveness and efficiency of NAO's corporate costs.

8.2 The Board **agreed** this recommendation.

Item 9

Annual report

9.1 To inform the preparation of the NAO Annual Report, members said it would be important for the report to signal the NAO's unique role, including looking different from other organisations' reports.

Action: Gaby Cohen (BM/9.1/02.10/GC)

Item 10

Update on new non-executive Board member

10.1 AL reported that following the selection process to recruit a new non-executive member of the Board, a preferred candidate had been identified for approval by the Public Accounts Commission.

Item 11

A.O.B.

11.1 The following A.O.B. was raised:

- The Chairman said he would contact members of the Board to gather their thoughts on the Board's operation and will report his findings to a future meeting.

Victoria Keilthy

Head of Governance and Policy

24 February 2010

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Chair