

The Board
14th Meeting
18 January 2011

Minutes

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Ruth Evans	RE	Non-Executive Member
Richard Fleck	RF	Non-Executive Member
Paula Hay-Plumb	PHP	Non-executive Member
Mary Keegan	MK	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

Ruth Brutnall	RB	Head of Governance
Marcial Boo	MB	Director, Strategy, Knowledge & Communications (Item 7)
Simon Henderson	SH	Head of Performance & Delivery (Item 5)
Helene Morpeth	HM	Private Secretary to the Chairman (Item 8)
Jim Rickleton	JR	Director General, Finance and Commerce (Item 5)
Mike Suffield	MS	Director – Financial 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 and action points

3.1 The minutes of the Board meeting held on 13 December 2010 were approved subject to the following amendments:

- Item 3: to note MK had been invited to sit on the appointments panel for the Welsh Audit Office, but that the panel had not yet convened.
- Item 10 - to amend the wording to give a clearer sense of the discussion.

No sensitive items were identified which would affect their public disclosure.

3.2 Progress on action points was noted. The Board agreed to use the March Board meeting to hold a discussion on NAO strategy.

Matters arising

3.3 There were none.

C&AG's update

3.4 The Board noted the written update provided and discussed the forthcoming PAC hearing on Accountability. There was strong interest from the non-executive members in this hearing.

Action: To provide the non-Executive members with a summary of the hearing and a copy of the transcript, once available. (BM/3.4/01.11/RB)

3.5 RF raised a question on NAO's engagement with international bodies, in particular INTOSAI and ISB. AM agreed to arrange a separate discussion with him on this matter.

Item 4

Appointment of Board Secretary

- 4.1 The Board noted and approved the recommendation to appoint Ruth Brutnall as Board Secretary.

Item 5

Business Report and Risk Report

- 5.1 JR presented the Business Report for the period ending 31 December. The Board discussed the reasons for the red ratings both for item 3.2 the reduction of fee deficits, and 3.6 the reduction of corporate costs. The discussions covered the internal and external drivers for the current fee deficit, the reasons for the forecast short fall against the target for corporate costs, and the steps taken to address the external auditor's recommendation on the measurement of corporate costs.
- 5.2 The Board noted the actions in hand by Management to address both areas, but agreed that further information would support the Board in understanding what additional action may be required.

Action: Andrew Baigent to provide an analysis of the current fee deficit to inform Management and Board discussions on the drivers and identify future action to further reduce the figure. (BM/5.2a/01.11/AB)

Action: Jim Rickleton to provide the Board with information on the front line and corporate elements of the NAO's cost base on the basis of both the current and proposed measurement frameworks, showing the direction of travel and the forecast impact of the planned actions, before the end of the financial year. (BM/5.2b/01.11/JR)

- 5.3 The Board also discussed the status of the publication 60 VFM reports for 2010-11 and the steps being taken to engage with stakeholders, in particular the PAC, on the delivery of these reports.
- 5.4 SH introduced the Risk Report, and reported that he was currently engaged on a piece of work to review the NAO's approach to risk management and invited the Board's comments. The Board commented that the snap-shot report was useful, but that there was a need for the supporting information to provide greater clarity of detail of the mitigating actions proposed to address individual risks.

5.5 The discussion focused on specific risks, as well as the guiding principals governing NAO's management of risk. Points covered included:

- the mitigating actions taken to address risks of employee motivation, heightened expectations of the NAO, and the challenges arising from the speed and depth of changes introduced to client bodies;
- discussion of risk management as a continuous process, and instances where an increasing awareness and understanding of a risk had lead to increase in its rating, as the full extent of the potential impact become clear;
- agreement that the current reporting framework did not cover in sufficient detail external or strategic risks, which may be of a low likelihood, but which would have a high impact on the organisation. The current review was an opportunity to address this, AM reported that Management were already considering this matter; and
- consideration of the possibility of holding quarterly reviews of strategic risk, which RF commented would be in line with current practice in other sectors.

The Board agreed that SH should consider these points as part of his current review.

Item 6

Future of Local Audit

6.1 The Board considered the paper setting out NAO's position on the disbanding of the Audit Commission and the role NAO might take in light of this. It was noted that this is still an evolving agenda, as DCLG continues to develop its position in consultation with the NAO and other parties. The Board gave the paper detailed consideration, and the discussion covered the following points:

- The paper represented a full and detailed consideration of all of the issues, but would benefit from the inclusion of a shorter version providing a clear statement of what functions it would and would not be appropriate to undertake under the future arrangements;
- The Board recognised that seeking to set the standards which would underpin the audit regime was consistent with the NAO's role as Parliament's auditor of central government, but that care would need to be exercised to ensure standards were consistent with those in place across the profession, and more

work is required to establish how the interaction of the NAO with other parties (e.g. FRC and AIU) should be handled;

- On data matching, and the powers being sought by the NAO to enable it to undertake potential data matching exercises in the future, the Board agreed that further information was required on the implications for the NAO of being granted these powers, to inform a more detailed consideration of this aspect of the proposals.

Action: Mike Suffield To provide the Board with a supplementary document clearly and simply outlining the NAO position. (BM/6.1/01.11/MS)

6.2 It was agreed that Board members would consider whether there was a need for a separate meeting on the issue of data matching powers once they had received and considered the additional detailed paper. If required, the meeting should be held in the first or second week of February to ensure any conclusions can be reflected in the consultation process.

Action: Mike Suffield to provide the Board with a paper on the issue of Data Matching, detailing the powers sought and the possible implications for the organisation, during January. (BM/6.2/01.11/MS)

Item 7

7.1 MB presented a paper summarising the approach being taken to implement the performance management measures previously agreed by the Board. The Board were content with the proposals and discussed aspects of the paper including the need to seek the views of MPs when developing the questions to be asked under the IPSO MORI survey, the alignment of the proposed measurement with previous work to identify the key performance measures for the organisation, and how performance against the measures should be communicated internally and to other stakeholders.

Action: Marcial Boo to take these points into account as the new framework is rolled out. (BM7.1/01.11/MB)

Item 8

Audit Committee Self Assessment

- 8.1 MK presented a paper to the Board on the recent self assessment undertaken by the Audit Committee, and thanked HM and PHP for their contributions to the process.
- 8.2 The Board discussed the recommendations made by the paper, including the question of Audit Committee membership and the alignment of the Committee with the Board. It was agreed that AL should not sit on the Audit Committee, in line with recommendations on best practice.
- 8.3 The Board also agreed that there needed to be a clearer distinction between the role of the Board and the role of the Audit Committee to avoid duplication, and that the executive members of the Board would benefit from greater communication between the Committee and the Board.

Action: Ruth Brutnall & Helene Morpeth to develop proposals to ensure greater alignment and improve communication between the Audit Committee and Board. (BM/8.3/01.11/RB)

Item 9

Any Other Business

- 9.1 The Board noted the papers received for information. These comprised a paper on the analysis of Board agendas and the minutes of the Audit Committee held on 3 December 2011. AL invited all Board members to consider what items they may wish the Board to consider on an annual basis in future years.
- 9.2 It was agreed that in future, where Board members have questions of fact relating to a specific paper, these should be raised in advance with the Board Secretary, allowing more time for Board discussion when they met.

Ruth Brutnall

Board Secretary, 18 January 2011

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Chairman