

The Board
24 January 2012

Minutes

Present

Members

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

Attendees

Ruth Brutnall	RB	Head of Governance
Marcial Boo	MB	Director, Strategy, Knowledge and Communications (Items 5 & 7)
Jim Rickleton	JR	Director General, Finance and Commerce (Item 4)

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 22 November 2011 were approved, subject to minor drafting amendments. No sensitive items were identified which would affect their public disclosure, and the Board agreed to their publication on the NAO website.
- 3.2 Progress on action points was noted and it was agreed that those items marked 'propose delete' should be deleted from the action log.

Matters arising

3.3 There were none.

C&AG's update

- 3.4 The C&AG presented his written report and provided an oral update on specific elements, including the NAO's continuing engagement with departments on the implications for the 2012 audit cycle of the Clear Line of Sight initiative, his recent meeting with Bob Kerslake and the implications for the NAO's work of the focus he is bringing to his role as Head of the Home Civil Service, and the Public Accounts Commission hearing on the NAO's strategy. The Board also discussed the publication of the Whole of Government Accounts and the PAC's engagement with the issues raised both by the accounts and the NAO's audit opinion to inform their wider programme of hearings. The C&AG provided an update on the NAO's engagement with Cabinet Office and HM Treasury officials on the issues of financial management which are informed by the WGA. The Board expressed its pleasure at the NAO's work on this issue and its continued support for the approach taken.

Item 4

Good Governance: Business Report & Quarterly Risk Report

- 4.1 Jim Rickleton presented the Business Management Report as at 31 December, and provided an explanation of the gross and net fee deficit positions shown. He reported that the NAO policy was to break even, but that in individual cases there are small surpluses or deficits. The Board agreed that the principle of ‘breaking even’ remained appropriate.
- 4.2 The Board also discussed the forecast year end position of the NAO’s expenditure and the work in hand to ensure that the NAO met its forecast budget. MW reported that the target was to be within 1% of the profiled budget, and that this was dependent of two variables, staff costs and the cost of work undertaken by the NAO’s strategic partners; it was the second of these where the NAO was focussing its effort, to ensure that work profiled to be undertaken with audited bodies between now and the end of the financial year was delivered, and the end of January position would be used to inform any decisions regarding additional action required, or whether the NAO would surrender any surplus.
- 4.3 The Board received the risk report and discussed the balance in the NAO’s risk reporting between risk and uncertainty, noting that it was unclear at times where ratings reflected a specific risk or that there was a lack of certainty of the issue; this was more prevalent when considering the external risks than operational risks where the outcome and control measures were more easily defined and implemented. The Board agreed that there was merit in reporting issues even where there was uncertainty as to the outcome that was at risk, as a way of highlighting those matters which required management and Board attention and that it would consider this further as part of its discussion on the wider risk framework in March.

Action: To ensure the Board has the opportunity to discuss this further before the start of the new financial year. (BM/4.3/1.12/RB)

Item 5

Good Governance: Performance Review

- 5.1 Marcial Boo presented the Performance Review for the period August to November 2011. The Board noted the review, and discussed the progress made against the

financial impacts target, with current forecasts indicating that the NAO would now meet the target for 2011-12. The impacts would be reviewed by the NAO's internal and external auditors, to ensure they were robust.

Item 6

Good Governance: Assessment of NAO's Governance

Code of Good Practice

- 6.1 Ruth Brutnall introduced the assessment of the NAO's governance against the central government Code of Good Practice for Corporate Governance, noting that the NAO was not expected to comply with the Code, as its governance arrangements were designed to reflect the wishes of Parliament as set out in the Budget Responsibility & National Audit Act 2011, but that as part of its commitment of practising what it preaches it had assessed its own arrangements to inform the Governance Statement which would be included in the Resource Accounts for 2011-12.
- 6.2 The Board considered a number of aspects of the assessment, and agreed that some further work was required; that the NAO should be more positive in its assessment of those areas where it does comply; and that the NAO should use the assessment as a platform to identify areas to further develop its governance. Members were invited to provide detailed comments on specific aspects of the assessment directly to Ruth Brutnall who would reflect them in the final assessment which informed the Governance Statement.

Action: RB to incorporate comments from Board members in final assessment to inform the Governance Statement.

Audit Committee Self-Assessment

- 6.3 MK presented the key conclusions and recommendations which had emerged from the Audit Committee's annual self-assessment of its own performance. The Board welcomed the report and agreed the recommendations, and that the Board Secretary would develop a programme of informed discussions for Audit Committee members on the topics identified during 2012.

Action: RB to develop programme of discussions to support Audit Committee members in furthering their understanding of the wider context of the NAO's work.

Item 7

Non-Statutory Work Programme: Proposals for 2012-13

- 7.1 EH introduced a paper providing an overview of the proposed framework for the non-statutory work programme for 2012-13, noting that it was intended to support the NAO in developing its insight and influence, complementing its statutory work on financial and value for money audit.
- 7.2 EH reported that the proposed framework did not represent any significant change from the strategy for the non-statutory work programme agreed in 2009-10, but that the budget for the work on the three strategic themes established by the strategy had reduced in line with the fact that these were now well established within the NAO's work. The framework was presented to the Board for comment, prior to the development of the proposed programme which the Board would be asked to approve later in the year.
- 7.3 The Board considered a number of aspects of the proposed framework, and their discussions focussed on:
- the reasons for the reduced expenditure on the Performance Improvement element of the programme, which reflected the cost to initially establish the themes, and also the impact of efforts to increase the discipline and rigour with which work was commissioned, which had enabled the NAO to drive efficiencies in its delivery of the work;
 - the recent work to develop a more strategic approach to our client engagement driven by the needs of audited entities and informed by a greater insight into the risks and challenges faced by individual organisations and central government as a whole;
 - the role of the NAO's international work in supporting its objectives and in particular its bi-lateral engagement with other Supreme Audit Institutions and the NAO's membership of the UN Board of Audit;
 - the way in which the NAO prioritised work within the framework, and the potential for this to be more transparent and visible to stakeholders in Parliament and audited entities.

7.4 The Board endorsed the framework for 2012-13, but agreed that it would be valuable for the Board's strategy discussion in March to include a more reflective consideration of the potential for further innovation in this aspect of the NAO's work for future years.

Action: RB and the Chairman to ensure that this is included in the programme for the Board Strategy Day on 30th March.

Item 8

Managing Our Stakeholder Relationships

8.1 The C&AG introduced a paper providing the Board with an overview of the implications of the need to preserve the independence of the C&AG while balancing the views and requirements of the NAO's stakeholders in Parliament and audited entities. The Board welcomed the paper.

Item 9

Accountability

9.1 Gabrielle Cohen presented a paper providing the Board with an update on the NAO's work to support both the Committee for Public Accounts and central government in considering the implications for accountability of the changes in the governance of central departments and the localism agenda.

9.2 The Board welcomed the position set out in the paper expressing its support of the NAO's work within this area, and discussed a number of elements, including the role of Accounting Officers, the implications for Parliamentary accountability of the increase in locally delivered services, the proposal that accountability would be a key feature of our VfM reports, and the issue of accountability where services or projects are delivered jointly by two or more departments.

Item 10

Any Other Business

10.1 The Board received the NAO's Code of Conduct for 2012, for approval. The Board noted the proposed revisions to Chapter 5 'Conflicts of Interest' to widen the scope of declarations of relations with audited bodies, made in response to the new APB Ethical Standards, and the change to Chapter 6 to include explicit reference to

individuals responsibilities under the Bribery Act. The Board approved the Code of Conduct.

10.2 The Board noted the draft minutes of the Audit Committee meeting held on 22 November 2011.

Ruth Brutnall

January 2012

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Chairman