



National Audit Office

**The Board**  
**10th Meeting**  
**13 July 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
Paula Hay-Plumb	PHP	Non-executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Michael Whitehouse	MW	Chief Operating Officer (except item 4)
Gaby Cohen	GC	Assistant Auditor General (except item 4)
Ed Humpherson	EH	Assistant Auditor General (except item 4)

## Attendees

Victoria Keilthy	VK	Head of Governance (Board Secretary)
Andrew Baigent	AB	Director General, Financial Audit (Item 6)
Martin Sinclair	MS	Assistant Auditor General (Item 7)
Jim Rickleton	JR	Director General Finance and Commerce (Item 7)
Simon Henderson	SH	Head of Performance & Delivery (Item 7)

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 In relation to item 6, RF noted his role as a Board member of the Financial Reporting Council. The Board was satisfied that this did not present a conflict and that RF's participation in the discussion of item 6 need not be restricted.

## Item 3

### Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 25 May 2010 and the notes of the strategic discussion on 14 May were approved. Progress on action points was noted; the Board agreed the deletion of recommended items.

### Matters arising

- 3.2 In relation to NAO messages on cost reduction (referred to in the notes of the strategic discussions on 14 May), AM confirmed that the short guide had been published and its messages communicated at recent Whitehall meetings and public events including Civil Service Live.
- 3.3 RE asked for confirmation that she had been added to the press office mailing list as she had not received any press releases via email. PHP and RF also asked to be added to the mailing list.

**Action: Vikki Keilthy**, ensure RE, PHP and RF are on press office mailing list  
(BM/3.3/07.10/VK)

### Update from C&AG

- 3.4 AM updated the Board on:
- His weekly meetings with the new PAC Chair, Margaret Hodge.

- Recent meetings with senior members of the Government to discuss the NAO's role in providing assurance for the new delivery models being proposed.
- Potential new non-statutory work under discussion with DfE. The Board discussed the changing perceptions of audit risk and in particular the potential for legal liabilities arising from non-statutory work. A briefing will be provided to Board members.
- Action being taken to identify cost savings within the NAO.
- The recently published Short Guides on departments, which have been sent to the relevant Select Committee Chairs.

**Action:** Nick Lacy, provide Board briefing on legal liability arising from non-statutory work (BM/3.4/07.10/NL)

## Item 4

### Re-appointment of executive Board members

*MW, GC and EH left the room for the discussion of this item.*

- 4.1 The C&AG recommended the re-appointment to the Board of Michael Whitehouse, Gaby Cohen and Ed Humpherson, and the non-executive members unanimously approved the re-appointment of all three executives to the Board for a further year.
- 4.2 On their return to the meeting, the Chairman thanked the executive members for their contributions to the Board in the past year and welcomed them to the Board for another year.

## Item 5

### Update on recent external changes

- 5.1 GC presented an overview of the coalition Government's key areas of focus including cost reduction, revised governance and infrastructure, and new delivery models. The following points were made during the discussion:
  - Outcomes and accountability mechanisms remain to be defined in many instances which presents challenges to the NAO's work;
  - The need for NAO to be seen as an instrument for ensuring sound accountability rather than as an audit 'barrier'. It will be important to convey the message that knowing

how much has been spent, for what purpose and on whose authority is not just necessary to ensure accountability but is also a requirement of sound management.

- The implications of proposed changes to departmental Boards and the impact these changes might have on the role of the Accounting Officer and therefore the line of accountability to Parliament via PAC. The C&AG and Chairman will consider the issue further, with a view to discussing the implications of the proposed changes with the PAC Chair if they consider it necessary.

**Action: Amyas Morse**, discuss impact of proposed changes to departmental Boards with Chairman, and PAC Chair if necessary (BM/5.1/07.10/AM)

- 5.2 The Board supported the NAO analysis of the coalition Government's priorities and welcomed the opportunity to discuss some of the issues raised in greater depth at the strategic discussion session on 16 September.

## Item 6

### Audit Inspection Unit report

- 6.1 EH reported that the NAO has responded to the AIU's draft findings and is now awaiting their final report. The AIU will be proposing to the Professional Oversight Board that the NAO continues as a Companies Act auditor.
- 6.2 The Board discussed the issues raised by the AIU review and was content with the actions being taken by the NAO in response. The Board discussed the value in discussing with the AIU what areas they are likely to focus on in their next review.

**Action: Ed Humpherson**, discuss with AIU likely areas of focus of their next review (BM/6.2/07.10/EH)

## Item 7

### Business report, quarterly performance review and risk report

- 7.1 The Board began by considering the Business report. The Board discussed the reason for the £1m of planned expenditure which has been ring-fenced for potential surrender at year-end. Executives said the average study cost is now £20,000 below the targeted average of £270,000 as a result of reduced outsourcing, which makes the surrender of this sum possible.
- 7.2 The Board also discussed staff utilisation, in particular of junior staff, and the average time taken to delivery VFM studies which is high but coming down.

- 7.3 The Board welcomed the improved clarity of the business report and thanked the team for their continuing efforts to develop it.
- 7.4 The Board moved on to consider the new quarterly business report which was tabled at the meeting. As the report was new and contained a lot of important information the Board decided to consider it fully at its next meeting in September. Any interim comments or questions should be directed to Simon Henderson. It was agreed it would be helpful to have all the portfolio AAGs in attendance for future quarterly performance discussions.

**Action: Vikki Keilthy**, Quarter 1 Performance report on September agenda (BM/7.4a/07.10/VK)

**Action: Vikki Keilthy**, invite all portfolio AAGs to meetings where the Quarterly Business Report is discussed (BM/7.4b/07.10/VK)

- 7.5 The Board considered the risk report and noted that the narrative format was very helpful. The Audit Committee Chair reported four items arising from the Audit Committee's discussion of the risk register earlier in the day. The AIU report and the changing environment had already been discussed by the Board at the meeting, and internal structured cost reduction will be discussed at the Board's September meeting. It was agreed that the remaining item on the principles for taking on new non-statutory business would be the subject of further discussion at a later date.

**Action: Vikki Keilthy**, schedule Board discussion on principles for taking on new non-statutory business (BM/7.5/07.10/VK)

## Item 8

### Proposed work on Impact Assessments

- 8.1 Following the paper circulated in advance to members, EH reported that Ministers had decided the proposed Impact Assessment work should be carried out by the Regulatory Policy Committee rather than the NAO.

## Item 9

### Board self-assessment and objectives

- 9.1 Following the initial discussion at the 14 May Board meeting, the Chairman completed his report on Board self-assessment arising from his discussions with individual Board members. The Chairman said he believed that the Board had come a long way in its first year but that further work was required to:

- Agree the role of the Board; and
- Increase the Board’s visibility across the Office.

9.2 The Chairman tabled a paper setting out draft second-year objectives for the Board. He said would consult Board members individually over the next few weeks about the draft objectives, in order to present a revised set of objectives to the next meeting.

**Action: Vikki Keilthy**, Board objectives on September agenda (BM/9.1/07.10/VK)

## Item 10

### Any other business

10.1 The Board received and noted the following:

- A note on key issues for the Board for the remainder of 2010;
- A note on progress with sub-letting the vacant office space at 157 Buckingham Palace Road; and
- The draft minutes of the Audit Committee meeting on 25 May 2010.

10.2 The Board also noted the following dates:

- The revised date for the second Board meeting of 2011 which will now take place on 17 February 2011 (rather than 1 March as previously advised).
- The Board strategy discussion will take place in the afternoon of 16 September 2010.

10.3 Non-executive members asked to be notified of the dates of the public meetings of the Public Accounts Commission once they have been set.

**Action: Vikki Keilthy**, circulate dates of TPAC public meetings to non-executive members (BM/10.3/07.10/VK)

**Vikki Keilthy**

Head of Governance

15 July 2010

.....

**Chairman**