



National Audit Office

The Board
7th Meeting
23rd March 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

Helene Morpeth	HM	Minute taker
Julian Wood	JW	Director of Corporate Affairs (Items 6 and 7)
Jim Rickleton	JR	Director General Finance and Commerce (Items 5 and 9)
Simon Henderson	SH	Head of Corporate Planning and Performance (items 5, 6 and 7)

Agenda item 11 was considered alongside the update from the C&AG (matters arising).
Agenda item 9 was considered immediately after item 5.

Item 1

Welcome

- 1.1 The Chairman welcomed Paula Hay-Plumb to her first meeting of the NAO Board following her appointment as Non-executive Member of the Board.

Item 2

Apologies for Absence

- 2.1 There were none.

Item 3

Declarations of Interest

- 3.1 There were none.

Item 4

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

- 4.1 The **Minutes** of the meeting held on 24 February 2010 were approved and progress on **Action Points** was noted.

Matters arising: Update from C&AG

- 4.2 The C&AG updated the Board on:
 - Edward Leigh, Chairman of the Public Accounts Committee, is to step down having served his two term tenure;
 - 52 VfM reports were published by the end of February and the remaining 8 have cleared publication dates - this means we will meet our target to deliver 60 major reports by the end of March;
 - Departmental overviews - we will have reports available in May on the 17 central government departments to inform incoming Ministers, new Permanent Secretaries and new Select Committees of NAO's independent assessment of their department's performance and capability;

- Structured cost reduction - for May we will have available for briefing clients the NAO's position on achieving structured cost reductions, together with check-lists of how to achieve them and supporting case study material;
- Localism - all main political parties advocate transferring more power to the local level and greater autonomy for local delivery bodies. We are engaged with work on Total Place through Sir Michael Bichard of the Institute of Government, who has been leading on a 'whole area approach' to public services and how this can lead to better services at less cost.

Item 5

Business Report

- 5.1 The Board considered the business report for the month ended 28 February 2010. Given the closeness to the financial year-end, the Board noted there was limited scope to affect performance in 2009-10. The Board enquired however about plans for improving under-performance for 2010-11 in audit fee recovery and VfM study speed - the two performance indicators rated red.
- 5.2 The Board noted that audit fee under-recovery was largely a legacy issue. Whilst significant progress would be made towards break-even, with a target of £400k gross deficit for 2009-10 audits, in comparison to £1.4 million in 2008-09, costs and fees would not be brought in line for the current year. The target is full recovery of all audit fees as soon as possible and the C&AG has put in place a demanding time-frame to achieve this.
- 5.3 The Board noted that the 2010-11 VfM programme contains a portfolio of 3, 6 and 9 month deliveries. The programme has agreed timetables which will be monitoring very closely.
- 5.4 The Board discussed:
- The higher than projected number of interim staff. This has led to a review of the resourcing strategy and the decision to introduce a single graduate intake from September 2010;
 - the - 21% variance of resource use on VfM audit was not accidental. The VFM programme had deliberately been slowed down whilst the NAO Strategy was being reviewed. The programme would now be accelerated;

- in relation to *Financial Impacts*, given the prospect of a 28% increase in the corporate target and a likely return of 11:1, was the Office underselling itself in this area of work?

- 5.5 The Non-executive Members requested a paper on performance measurement to gain a greater understanding of the NAO's work in this area.
- 5.6 The Board expressed disappointment that it would have to wait until the 2010-11 financial year to consider the Risk Report.

Action: Michael Whitehouse (BM/5.5/03.10/MW)

Item 6

NAO Business Plan 2010-11

- 6.1 The Board welcomed the opportunity to review the latest draft of the Business Plan. Whilst recognising that the draft had moved on since the last meeting, the Board commented that there remained significant issues to be addressed, both in terms of context and content.
- 6.2 A number of points of detail were made and it was agreed that these would be progressed outside the meeting.

Action: Julian Wood (BM/6.2/03.10/JW)

Item 7

Implementing the Business Plan

- 7.1 The Board considered the NAO performance management model drawn up to measure progress on delivery of the Business Plan and noted that the aim of was to establish a 'golden thread' from Strategy down to day-to-day operations.
- 7.3 The Board expressed support in principle for the proposals and measures set out in the paper. The Board agreed to come back to the paper, for a more detailed consideration of its role in monitoring progress, once the Business Plan had been finalised.

Action Julian Wood (BM/7.3/03.10/JW)

Item 8

Discretionary Work Plan

8.1 The Board considered the NAO non-statutory work programme for 2010-11 comprising the workstreams and activities undertaken voluntarily by the C&AG and the NAO. The Board noted that the main resource element of the non-statutory work would be based around *Performance Improvement*, in line with the NAO Strategy and the three strategic themes: ‘Informed Government’; ‘Financial Management and Reporting’ and ‘Cost effective Delivery’.

8.2 The Board discussed:

- the desire to build in as much flexibility as possible in the non-statutory work programme to enable the NAO to respond to new challenges, following the outcome of the forthcoming election;
- the importance of establishing clear links between the rationale for non-statutory work programmes and expected outcomes.

8.3 The Board approved the discretionary work plan for 2010-11.

Item 9

Sub-letting space at 157-197 BPR

9.1 The Board noted the Leadership Team’s decision to go ahead with commercial marketing in parallel with government marketing, given the current issues facing public sector bodies; and the C&AG’s desire for progress to be speeded up.

Item 10

Financial Impacts 2009

10.1 The Board agreed to defer the item to the next meeting, to enable consideration to take place alongside the draft Annual Report.

Item 11

Update on political environment

11.1 The Board welcomed a paper setting out the NAO proposition for each of the four key policy areas cutting across the main political parties.

11.2 The Board commented that there should be a reserve of resources held back to allow for some flexibility and the feasibility to consider new propositions, following the outcome of the election.

Item 12

A.O.B.

12.1 The following A.O.B. were raised:

- on-going induction of the Non-executive Members: it was agreed that this should be discussed alongside the findings from the Chairman's discussion with Members on the Board's operation;
- the revised dates for the September and November 2010 meetings of the Board and the proposed dates for 2011 would be circulated outside the meeting;
- the Board would meet twice in May: the first meeting would be structured as a Board 'away-day' but would also include a discussion on the Annual Report. The second meeting would take place, as scheduled, on 25 May 2010.

Helene Morpeth

Private Secretary to the Chairman

21 April 2010

.....

Chair