



National Audit Office

The Board
22 March 2011

Minutes

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Ruth Evans	RE	Non-Executive Member
Richard Fleck	RF	Non-Executive Member (by telephone)
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 5)
Andrew Baigent	AB	Director General, Financial Audit (Item 7)
Simon Henderson	SH	Head of Performance & Delivery (Item 4 & 5)
Jim Rickleton	JR	Director General, Finance and Commerce (Item 4 & 5)
Jeremy Lonsdale	JL	Director General, Value for Money Audit

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 7 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 7 need not be restricted.

Item 3

Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 17 February 2011 were approved. No sensitive items were identified which would affect their public disclosure.
- 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 Board noted the written update provided and discussed a number of elements, including the recent TPAC hearing at which the NAO's estimate was approved, the changes at Permanent Secretary level in both Defra and DFID, the recent Performance Management Conference, at which both the C&AG and the Chairman provided presentations, and the progress towards recruiting a new AAG.
- 3.5 The Board also considered the update on the NAO's work on Accountability, noting the pending PAC report and the continuing focus on this by the press, ministers and senior civil servants, and the work on Local Audit. AM updated the Board on his engagement with Local Authorities and the forthcoming CLG consultation exercise. The Board agreed it would be useful to hold a separate discussion on this matter once the consultation had concluded.

Action: Michael Whitehouse to ensure that the Board receive copies of the CLG Consultation Document on Local Audit (BM/3.5a/3.11/MW)

Action: Ruth Brutnall to ensure the Board has opportunity to discuss the implications of the future arrangements for the NAO in the summer. (BM/3.5b/3.11/RB)

Audit Committee Update

3.6 The Board noted the written update provided and MK provided an oral update on the proceedings of the Audit Committee held earlier in the day, noting the Committee's pleasure at the strong performance of the Office against the financial impacts target. MK also updated the Board on discussions regarding the reviews of the Information Asset Assurance model and the IT Strategy Review.

Remuneration Committee Update

3.7 The Board noted the written update provided and RE gave an oral update on the discussions of the Remuneration Committee which met earlier in the day, noting the consideration of non-financial benefits provided to NAO staff, senior management remuneration for 2011-12 including the C&AG's recommendations, and the Committee's own self assessment exercise.

Item 4

Business Report and Risk Update

Business Report

4.1 JR presented the Business Report for the period ending 28 February 2011, noting that it provided a strong indication of performance against key metrics at year end. The Board discussed item 3.2 and the steps taken to improve financial discipline in audit planning to exercise stronger control over fee deficits. This is reflected in the reduction of the target to £350k for next year, from £500k this year. The Board also considered the other targets for 2011-12, and the need to ensure that they effectively balance the need to be both realistic and challenging.

Risk Update

4.2 SH introduced the Risk Update. The Board's considerations included a discussion of the increase in risk 3.2, to reflect the loss of a lap top by an employee of a third party engaged on an NAO project. JR reported that the investigation into the incident had been completed, and had concluded that the loss should be recorded as a hardware loss, as the lap top had been appropriately encrypted and powered down. The Office

was engaged in on-going discussions with the contractor regarding the incident and will be writing to all contractors to remind them of the requirements relating to data security. The Board also discussed external risk B, and the measures being taken to manage the risk of reputational damage to the NAO in the event of the failure of a client body.

Item 5

Draft Business Plan & Estimate

5.1 MB Presented the Business Plan for 2011-12. The Board welcomed the plan and noted the quality of the drafting and presentation. They agreed that it would be useful to receive copies of the final document. The Board approved the Business Plan.

Action: Ruth Brutnall to provide all Board members with a copy of the Business Plan. (BM/5.1/03.11/RB)

5.2 MB introduced the communications plan, highlighting the key messages and noting that the aim was to engage staff with the Business Plan, and that a number of communications channels had been identified including director briefings and whole staff events. The Board considered the plan, and noted that the key messages could be more positive, celebrating the successes of 2010-11, and asserting more clearly that the NAO is an organisation committed to achieving excellence.

Action: Marcial Boo to update the communications plan in the light of the Board's comments. (BM/5.2/03.11/MB)

Item 6

Annual Report & Accounts - Key Dates

6.1 MB presented a brief paper outlining the planned approach and key milestones for the production of this year's Annual Report and Accounts. The Board considered the paper, noting the key dates, and the tight timescales between the Board's meeting on 20 May and the laying of the accounts on 23 May, before Whitsun recess. The Board endorsed the management's ambition to lay the accounts soon after year end, and welcomed the opportunity to consider draft versions of the Report and Accounts prior to the Audit Committee and Board consideration in May.

Action: Ruth Brutnall to provide information nearer the time of the arrangements for sending the draft documentation, and to remind Board members of the timescales for comments to be received. (BM/6.1/03.11/RB)

Item 7

Audit Inspection Unit Update

- 7.1 AB presented the paper which provided an overview of the actions taken to address the recommendations of the AIU inspection undertaken during 2010, and provided an oral update on the progress of the 2011 inspection, which was currently taking place. The Board welcomed the update and discussed aspects of the paper including the updates to actions on the HR elements of the recommendations and the role of APQ in both monitoring the response to specific recommendations and in infirming the NAO's engagement with AIU on public audit issues.
- 7.2 The Board also discussed progress of the 2011 inspection, noting that the focus of the inspection was different to the previous year, and AB reported that he did not expect the findings to be of the same nature as the 2010 report. The draft report was expected to be available for NAO consideration and comment at the end of April, and will be considered by both APQ and the Leadership Team. The Board invited AB to consider whether the NAO should communicate the findings of the AIU, given that the reports on the Firms are published each year, and if so how this might be best achieved.

Action: Andrew Baigent to give consideration to the external communication of the findings of the AIU inspection. (BM/7.2/03.11/AB)

Item 8

Any Other Business

- 8.1 The Board noted the following papers received for information:
- Board meeting dates for 2012
 - Ruth Evans' appointment as a trustee of the Alacrity Foundation

8.2 The Board noted the dates for the 2012 meetings, and requested that the possibility of a full day for the strategy events be considered. The Board noted that there were no issues which should prevent Ruth Evans from taking up the appointment as trustee of the Alacrity Foundation.

Action: Ruth Brutnall to explore the potential to allow a full day for the Board discussions of strategy in 2012. (BM/8.2/03.11/RB)

Informal Discussion

Value for Money Programme 2011-12

10.1 The Board held an informal discussion of the Value for Money Programme for 2011-12. JL presented an overview of the programme, the route by which studies were identified and selected, and the importance of the themes and structured cost reduction in informing the 2011-12 programme's development. The Board's discussions were wide ranging and identified a number of key themes:

- Stakeholders.

The Board discussed how key stakeholders such as the PAC were engaged in the development of the programme. They also discussed the role of Accounting Officers in departments, the engagement of departments' Audit Committee Chairs and the nature of stakeholder engagement as an on-going. The Board noted that there wasn't a 'Group CEO' role for government which would view the programme as a whole from a government perspective; rather Permanent Secretaries were engaged with those elements of the programme of specific relevance to their departments.

The Board considered the potential to involve a wider group of stakeholders, such as service users, but noted that stakeholder engagement must always be balanced against the need for the NAO to maintain and demonstrate its independence.

- Process.

The Board discussed the process by which studies were identified and the importance of balancing the need to have sound planning in place to enable resource allocation, with the need to maintain flexibility enabling the Office to respond to the changing government environment. It was agreed that the NAO could make the process by which studies are identified and agreed more transparent, and JL undertook to

consider how best this information could be made more visible, and the potential to include information on the process behind the VfM programme in the Annual Report.

- **Principles.**

The Board also considered the principles which guide the identification and development of studies, and the role of the Department Intelligence Packs in this.

- **Specific Studies.**

The Board also discussed the timings of specific studies planned for 2011-12.

10.2 It was agreed that it would be valuable for the Board to consider the VfM Programme as a whole on an annual basis.

Action: Jeremy Lonsdale to consider the communication of the VfM Programme and the process by which studies are identified. (BM/10.1/03.11/JL)

Action: Ruth Brutnall to ensure that an Annual discussion of the VfM Programme is included on the Board Calendar. (BM/10.2/03.11/RB)

Ruth Brutnall

Board Secretary, March 2011

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Chairman