

The Board
29 March 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 & 6)
Richard Copeman	RC	Manager, Financial Audit (item 7)
Jim Rickleton	JR	Director General, Finance and Commerce (Items 4 & 5)

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 RF informed the Board that he would shortly take up a new role with the Financial Reporting Council, and will be Chair of the Conduct Committee. The Board noted this new appointment, and agreed that the potential conflict of interest should be recorded, but that should not prevent RF from participating fully in the business of the meeting.

Item 3

Good Governance: Minutes, Matters Arising and the C&AG's report

Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 23 February 2012 were approved. 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 the Board agreed that those items marked as closed should be deleted.

Matters arising

- 3.3 Mary Keegan reported that one action, relating to the areas of interest identified by the Audit Committee's self-assessment, had been transferred to the audit committee's action log.

C&AG's update

- 3.4 The C&AG presented his written report and provided an oral update on a number of issues, including the NAO's work on HMRC tax settlements and its continuing engagement with departments and accounting officers on the 2012 audit cycle. He reported that the engagement with accounting officers, and the Head of Civil Service had succeeded in raising their level of engagement with the financial reporting and audit process, which would lay the foundation from a strong audit cycle beyond 2012.

- 3.5 The Board also discussed the recent announcements by the NAO's external auditor, RSM Tenon, and noted the NAO's plans to keep the situation under review.

Remuneration Committee

- 3.6 RE provided a brief update on the discussions of the remuneration committee, which had met that morning. The committee had discussed and agreed proposals on the remuneration framework for the NAO's executive management.

Item 4

Good Governance: Business Management Report and Risk Report

Business Management Report

- 4.1 JR presented the Business Management Report showing the position at the end of February. The Board noted NAO's performance as shown in the report, and offered its congratulations to the teams involved.
- 4.2 MW reported that the NAO was confident that it would end the year £1.3million below the profiled budget. The Board queried the reasons for this, seeking assurance that it reflected genuine in-year efficiencies, rather than an error in forecasting. MW explained that at a corporate level forecasting is accurate, and action was being taken to improve this at team level. The underspend reflected the fact that the NAO managed its resources over the financial year, while some audit work had been delayed into the 2012-13 year.
- 4.3 The Board also discussed the target to utilise 80% of the NAO's resources on front line activities. JR reported that this year a wider definition of back office functions had been applied which fully reflected all costs, and that a strong effort had been made to take further costs out, resulting in a strong performance in 2011-12.

Risk Report

- 4.4 The Board received the risk report.

Item 5

NAO Annual Report 2012

- 5.1 MB introduced a short paper providing an overview of the timescales for the production of the 2012 Annual Report, and the proposed structure, inviting the Board's comments. The Board noted the timescales, including the dates on which drafts would be provided for comment, and discussed the importance of ensuring the Annual Report provides a balanced picture of the NAO's performance in terms of both the financial and non-financial impacts achieved.

Item 6

NAO Approved Services: Approval of 2012-13 Programme

- 6.1 MB presented the programme of NAO approved services to the Board for approval, noting that it reflected the comments of the Board from its earlier discussion of the framework to be applied to the programme for the forthcoming financial year. He provided an overview of the planning cycle for the programme, which started with the discussions on the NAO strategy in the autumn.
- 6.2 The Board discussed the level of discretion which existed for each part of the programme, and those part of the programme where were the NAO not to undertake certain activities it would hinder the Office's ability to fulfil its statutory functions. The Board also considered how the NAO had identified its priorities in developing the proposed programme for 2012-13 and whether the current scope of the programme remained appropriate; it was agreed that it would be useful for the Board to consider this further to inform future programmes of work.
- 6.3 The Board approved the programme.

Action: To ensure that the Board has the opportunity to discuss the programme of NAO approved services further to inform the development of the 2013-14 programme.

Item 7

Risk Management in the NAO

- 7.1 RC presented the new format for the NAO's operational risk report to the Board, highlighting the key changes, to include an assessment of the NAO's risk appetite in each area and to move to a 4 tier assessment of risk. The Board welcomed the approach, noting its pleasure at the organisation's efforts to continue to identify ways to improve its management and reporting of risk.
- 7.2 The Board discussed what was appropriate for the NAO, in terms of expressing its appetite for risk, recognising that there were areas where this will be very low and agreeing the importance of understanding the organisation's risk tolerance in each area to ensure that appropriate action to manage individual risks can be taken.
- 7.3 RC introduced a short paper on the external risks which may arise from the NAO's external environment, inviting the Board's comment. The Board discussed a number of elements of the paper, and the key points of the discussion were:
- the potential for an operational risk to quickly become an enterprise risk if badly managed;
 - the welcome distinction presented between uncertainty and risk; and
 - the value of the Board and Leadership Team taking time to consider these issues during the year, and the potential for a future discussion to be informed by considerations of case studies to identify causes and consider how these may be relevant to the NAO.
- 7.4 The Board agreed that it would be valuable to discuss this issue further later in the year.

Action: To implement the new format report for operational risks from April 2012.

Action: To ensure that the Board considers the enterprise risks further during the 2012-13 financial year.

Item 8

Any other business

8.1 The Board received the following papers for information:

- NAO Business Plan 2012-13
- Code of Practice, as approved by the Public Accounts Commission.

Ruth Brutnall

March 2012

.....

Chairman