

**The Board**  
**20 March 2014**

# Minutes

# Present

## Members

Andrew Likierman	AL	Chair - Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Gabrielle Cohen	GC	Executive Leader
Naznin Coker	NC	Non-Executive Member
Gillian Guy	GG	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Paula Hay-Plumb	PHP	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer

## Apologies

None

## Attendees

Toni Whitby	TW	Interim Head of Governance
Chloe Forbes	CF	Strategy & Research (Items 2 & 3)

The Minutes record the business of the Board in Agenda order.

# Item 1

## **Good Governance: Minutes and Conflicts of Interest**

### **Apologies for Absence**

1.1 There were none.

### **Declarations of Interest**

1.2 There were none.

## **Good Governance: Minutes of Meetings, Action Points, Matters Arising and the C&AG's report**

1.3 The minutes of the meeting held on 27 February 2014 were approved, subject to a minor amendment to clause 3.3. No sensitive items were identified which would affect their public disclosure, and the Board agreed to their publication on the NAO website.

### **Appointment of Executive Members of the Board**

*MW, GC and TW left the room for the discussion on this item.*

1.4 The C&AG recommended the appointment to the Board of Executive Member John Thorpe for a term of 1 year.

1.5 The Board approved the appointment of Executive Member John Thorpe.

### **Matters Arising**

1.6 There were none.

### **C&AG's Update**

1.7 The C&AG presented his written report to the Board and invited the Board's comments and questions. He discussed the outcome of the 18 March hearing of the Public Accounts Commission (TPAC) which had met to consider the NAO's Estimate for 2014-15 at which himself, Andrew Likierman and Michael Whitehouse had attended. The hearing had gone well with TPAC approving the NAO's bid for £63 million (net resource) and £1.5 million (capital Estimate). TPAC had questioned the NAO on cost reduction measures citing Government department's average reductions, but the NAO had reiterated that it was not a Government body and had made substantial reductions, in excess of many Departments. AM had made clear that following significant reduction in resources, it was not practicable for the NAO to go further without adversely impacting on its capability to deliver all of the findings that Parliament wanted.

- 1.8 The Board asked about the cultural change needed to support Transformation, and in particular how the Leadership Team is operating differently. AM explained that there is a growing, significant difference. The Leadership Team's accountabilities are more clearly defined; its role in prioritising and aligning work is now agreed and the impact of this would become more apparent over the next 12 months; the Leadership Team is more consistently exhibiting behaviours intended to encourage collaboration with more delegation and empowerment of NAO people. The latter is being supported by enhanced clarity of how Clusters are held to account.
- 1.9 The NAO's work with PAC focussing on contractors; together with the CBI's recent support of open booking accounting in the media, may mean the NAO will be asked to undertake broader work on contractors to the public sector. Before any new work is undertaken, the NAO would need to be clear on the boundaries of and terms for such work.
- 1.10 TPAC have asked to meet with the Board and with NAO staff in September and possible dates will be circulated.

**Action:** *A meeting with TPAC, the Board and NAO staff would be organised for September (Action TW).*

### **Update on our relationship with PAC and Parliament**

- 1.11 GC provided an oral update on the recent PAC hearings, highlighting a recent session on probation reforms which had gone well.

## **Item 2**

### **Good Governance: Business Report and Risk Report**

- 2.1 The Board received the February Business Report. With one month until the end of 2013-14 the financial position was unchanged with a continued forecast for a net resource of £64m, with an expected saving of £1.8m of net resource requirements.
- 2.2 MK made reference to page 2 of the Business Report entitled "Fee Audits" where it mentioned fee audit income will break even across the fee paying audits, yet the Action referred to a separate paper summarising the strategy to tackle fee deficits. A paper summarising the strategy for fee deficits would be available at the next Board meeting.

**Action:** *A separate paper summarising the strategy to tackle fee deficits will be provided to the Board at their meeting in May (Action MW).*

- 2.3 The Board considered the February Risk Report, noting that Enterprise Risks would be discussed in detail at the Board Strategy Day tomorrow. The reporting of risk was being reviewed and a new framework (incorporating any feedback from the Strategy Day on Enterprise Risks) would be available for discussion and review at the Board's next meeting in May. MW confirmed that the Risk Forum was still running and Clusters are involved in the identification of risk for 2014-15.

**Action:** *A new risk framework would be available for discussion at the next Board meeting (Action MW).*

## Item 3

### Management and Use of Resources: Annual Report and Accounts 2014

- 3.1 The Board received an outline of the proposed Annual Report and Accounts, together with a timetable, communication strategy and analysis of the effectiveness of communication from the 2013 Annual Report. Chloe Forbes (CF) joined the meeting to answer any questions on the structure and timing.

- 3.2 The Board agreed the approach to communicating the report and in this context asked for a breakdown of costs for the preparation of the Annual Report and Accounts.

**Action:** *A breakdown of the costs of preparing the Annual Report and Accounts would be made available at the next Board Meeting (Action GC).*

- 3.3 The Board considered how a wider impact might be achieved through the Annual Report. A core element of the Report is required to ensure that the NAO complies with accepted governance principles. There is, however, scope to be innovative through having a slimmer easy to read introduction with some strong examples of what the NAO has achieved presented in an engaging way. The Strategy Team had been working with Clusters to develop examples of the wider impacts and these would be circulated to the Board.

**Action:** *The Board would be circulated information on the wider impacts to be reported in the Annual Report (Action CF).*

- 3.4 The Board noted that the Diversity Report, HR Report and Transparency Report for 2014-15 would be aligned and published at the same time as the Annual Report for year end 2014-15, although it was agreed that the executive would look at the scope for bringing as much of this information together as possible for the 2014 Report.

## Item 4

### Management and Use of Resources: Contracts and Programmes over £500,000

- 4.1 The NAO Board asked for Key Programmes and Contracts over £500,000 to be resubmitted to the Board for approval at its next meeting with business cases for items (1) Enterprise Resource Planning (“ERP”); and (3) Building Integrated Knowledge Management Services (Enterprise Content Management). Progress on all projects would be reported to the Board as and when Management Accounts are provided.

**Action:** *Business cases for items (1) and (3) would be provided to the Board for approval (Action MW).*

- 4.2 The Board will be provided with business cases for Key Programmes and Contracts over £500,000 on a project by project basis for approval; having been scrutinised and challenged by the Leadership Team.

**Action:** *The Board would be provided with business cases for new key contracts and programmes over £500,000 on a project by project basis for approval (Action MW).*

## Item 5

### Support and Advice: Internal Whistleblowing Policy

- 5.1 GG, as Chair of the Audit Committee, laid the updated internal Whistleblowing Policy before the Board. The Board approved the internal Whistleblowing Policy.

## Item 6

### Good Governance: Terms of Reference for Value for Money Review

- 6.1 GG, as Chair of the Audit Committee, introduced the terms of reference for the value for money review to be undertaken by the external auditors, Baker Tilly.
- 6.2 There was some discussion as to how the auditors could form an objective evidence based assessment of how the Leadership Team had changed in keeping with Transformation. The Board approved the terms of reference subject to an amendment reflecting evidence produced to demonstrate a comprehensive articulation of the change in Leadership the organisation is aiming for - not just in terms of structure but also competencies, behaviours, processes and risk appetite etc. - all aligned with the

transformation. In addition provide evidence that there are both measures and means of assessing progress in place for reporting and giving assurance to the Board.

**Action:** *GG would revert to the External Auditors to amend the Terms of Reference to encompass the Board's comments. Updated ToR would be circulated to the Board (Action GG/TW).*

## **Item 7**

### **Any other business**

- 7.1 The NAO Business Plan for 2014-15 was circulated to the Board.
- 7.2 The Board noted the minutes of the Audit Committee dated 27 February 2014.
- 7.3 The Board noted that the REMCO meeting followed the Board Meeting.

**Toni Whitby**

**March 2014**