



National Audit Office

**The Board
9th Meeting
25 May 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 (by phone)
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Michael Whitehouse	MW	Chief Operating Officer
Ed Humpherson	EH	Assistant Auditor General

Attendees

Victoria Keilthy	VK	Head of Governance (Board Secretary)
Jim Rickleton	JR	Director General Finance and Commerce (Items 4, 5 ,6 & 7)
Simon Henderson	Sh	Head of Performance & Delivery (Items 4 & 5)
Nick Sloan	NS	Director, Performance Measurement (Item 9)

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

Item 1

Apologies for absence

1.1 Apologies were received from Gaby Cohen.

Item 2

Declarations of interest

2.1 There were none.

Item 3

Minutes of meetings, action points, matters arising and C&AG's update

3.1 The **minutes** of the meeting held on 14 May 2010 were approved. Progress on **action points** was noted; the Board agreed the deletion of recommended items.

Matters arising

3.3 There were none.

Update from C&AG

3.4 AM updated the Board on:

- Actions following the recent Government announcement of full NAO access to the BBC's accounts.
- The Government's intention to create an Office of Budget Responsibility which will mean our audit of budget assumptions will end.
- The prospects for getting the draft clauses on our new corporate governance arrangement into the new legislative timetable.
- Recent contact with key participants in the newly-created Efficiency & Reform Group, a joint body of the Treasury and Cabinet Office.

Item 4

Business Report

- 4.1 SH presented the Business report in the revised format and noted that it was intended to be more accessible and flexible, and offer an early warning where performance is off target.
- 4.2 Board members asked for the following:
- that the trend of an indicator be shown, i.e. whether it has improved, deteriorated or stayed the same since last month;
 - that the 'monthly business report: key points and actions' be presented before the A3 dashboard sheet;
 - to be briefed on the data behind the dashboard indicators;
 - to understand how reactions to NAO reports are measured and monitored. It was agreed to return to the topic of external feedback for a broader discussion at a future Board meeting.

Action: Simon Henderson, reorder presentation of business report and consider how trend data might be shown on the dashboard (BM/4.2a/05.10b/SH)

Action: Simon Henderson, provide briefing to non-executives on dashboard indicators (BM/4.2b/05.10b/SH)

Action: Vikki Keilthy, inclusion of discussion on external feedback on future Board agenda (BM/4.2c/05.10b/VK)

Item 5

Risk reporting

- 5.1 SH presented the risk framework for approval. The Risk Register will be presented to the Board at the start of the year and only presented again when there are revisions.

Members made the following comments on the risk framework:

- Clearer links between a) the enterprise risks and business risks shown in the risk register, and b) the risk management framework and KPIs would be helpful;

- Appendix 2 needs to focus on presenting a succinct assessment of what has changed our view of the risk in the month;
- Appendix 3: risk ‘tolerance’ may be better term than risk ‘appetite’ in the NAO context; and
- RF requested a copy of the Audit Inspection Unit’s report once it has been finalised.

Action: Simon Henderson, consider how best to present the links between a) enterprise risks and business risks; and b) the risk management framework and business operations (via KPIs) (BM/5.1a/05.10b/SH)

Action: Vikki Keilthy, provide copy of AIU report to non-executive members once finalised (BM/5.1b/05.10b/VK)

5.2 The Board approved the Risk Framework subject to review in six months’ time.

Action: Vikki Keilthy, review of risk framework to be included on December Board agenda (BM/5.2/05.10b/VK)

Item 6

Audit Committee annual report

6.1 The Chair of the Audit Committee presented the Committee’s Annual Report to the Board. She said the Committee had been very pleased with the support it had received from internal and external audit during the year. The Committee also commended the work of the Finance team in preparing the Resource Accounts.

Item 7

NAO annual report

7.1 The Chair of the Audit Committee reported the Committee’s discussions at their meeting earlier in the day, and advised the Board of four minor changes to the draft report relating to:

- disclosures in relation to the corporate car;
- consistency of description of strategic objective 3 in the resource accounts section;
- clarification of the capitalisation policy during the refurbishment project; and

- amendments to the related party transaction note.

7.2 Subject to these changes being made, the Board **approved the annual report** and **endorsed the Statement on Internal Control** for signature by the C&AG.

Item 8

Post election update

8.1 MW reported that the forward VFM programme is being reviewed by the Leadership Team to ensure our publications are well positioned and tie in with the spending review. We have had discussions with the Cabinet Office about what the new Government's public statements might mean for the delivery of public services.

8.2 The Chairs of the Select Committees are likely to be known in mid-June and our plans for engagement with the new Chairs are well advanced. The Board discussed the merit of contacting the Whips' Office to discuss preparation for and likely timing of the appointment of the PAC Chair, and to share our thoughts on the key competencies required for the job.

Action: Gaby Cohen, contact Whips' Office re: appointment PAC Chair
(BM/8.2/05.10b/GC)

8.3 The Board discussed the fact that the NAO is considering whether its role in validating savings and cost reductions should continue. This work is currently done according to criteria set by the Treasury and it would be preferable to perform the work to the C&AG's criteria. The option of a VFM study of the Government's cost reduction exercise is under consideration. A study might, for example, assess the extent to which the cuts were well-planned, supported by a process and whether the consequences had been considered.

8.4 RF requested copies of the Performance Measurement Compendium Report and the Financial Savings Compendium Report once these have been published.

Action: Vikki Keilthy, provide copies of Compendium Reports to non-executive members (BM/8.4/05.10b/VK)

Item 9

Performance validation

9.1 NS explained the background to the compilation of the Performance Measurement Compendium Report which has recently been Red or Amber in terms of delivery risk. Eleven financial audit teams are working on the project, providing data to the central team. This work is normally done in the winter when audit work is low. This year however, we brought the work forward to feed into the new Government's thinking, but this meant the work had to be done during the financial audit busy season. This resulted in some deadlines slipping, as statutory accounts took precedence over validation work where there was a clash. Half the reports are now cleared with departments and clearance for the rest is in hand. We expect to lay the compendium report before the recess.

Item 10

Non-executives' engagement with the business

10.1 The non-executives welcomed the range of opportunities offered to enable them to deepen their understanding of the business and increase their visibility. They made the following points:

- If it were decided to hold a Board meeting in Newcastle, it should involve other activities such as a presentation and lunch with staff to maximise the value of the trip;
- Non-executives would like to be informed of forthcoming conferences and events and key publications so they can engage with items according to their personal interests; and
- Non-executives would like further opportunities to engage with strategy.

Action: Vikki Keilthy, circulate range of opportunities to non-executives
(BM/10.1a/05.10b/VK)

Action: Vikki Keilthy, circulate forward planner of key NAO events
(BM/10.1b/05.10b/VK)

Action: Vikki Keilthy, set up further strategy discussion for autumn 2010
(BM/10.1c/05.10b/VK)

Item 11

Any other business

11.1 The following business was raised:

- The Board received the minutes of the Audit Committee meeting on 14 May 2010.
- The Audit Committee Chair noted that at the Committee's next meeting in July would discuss the process for the appointment of a new external auditor.

Action: Vikki Keilthy, Paper to July Audit Committee on process for appointing new external auditor (BM/11.1/05.10b/VK)

Victoria Keilthy

Head of Governance

27 May 2010

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Chairman