

The Board
20 May 2011

Minutes

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Ruth Evans	RE	Non-Executive Member
Richard Fleck	RF	Non-Executive Member
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
Gabrielle Cohen	GC	Assistant Auditor General

Attendees

Ruth Brutnall	RB	Head of Governance
Marcial Boo	MB	Director, Strategy, Knowledge & Communications (Items 6 & 7)
Simon Henderson	SH	Head of Performance & Delivery (Item 4)
Jim Rickleton	JR	Director General, Finance and Commerce (Item 4, 5 & 6)
Mike Suffield	MS	Director, Financial Audit (Item 8)

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

Item 1

Apologies for absence

- 1.1 The Chairman noted that apologies had been received from Ed Humpherson.

Item 2

Declarations of interest

- 2.1 There were none.

Item 3

Minutes of meetings and action points

- 3.1 The minutes of the Board meeting held on 22 March 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 C&AG's appearance before the Communities and Local Government Select Committee to give evidence on the future arrangements for Local Audit; his current programme of visits to both local authorities and the constituencies of PAC members to better understand their role as local MPs; the NAO's retention of Investors in People accreditation and the progress of the AIU annual inspection of the NAO.
- 3.5 The Board also discussed AM's recent meeting with the Secretary of State for Culture, Media & Sport with regard to the NAO's engagement with the BBC. The C&AG reported that he had been invited to give evidence before the House of Lords Committee on Communications as part of its inquiry into the governance and regulation of the BBC.

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 thanks to the finance team for their work in preparing the accounts to such a challenging timescale. MK noted the Committee's comment that in finalising the accounts to be laid in the week commencing 23 May, sufficient time should be allowed for proof reading and checking, to ensure that any are fully and accurately incorporated.

Item 4

Business Report and Risk Update

Business Report

- 4.1 JR presented the Business Report showing the year end position, and provided an update on the steps taken to develop the dashboard for 2011-12.
- 4.2 The Board noted the report, and discussion focused on those areas where the targeted performance had not been achieved, and the implications for the targets for 2011-12, specifically. Points considered included the following:
- the recent changes to the way the NAO supported the PAC, and the implications for performance targets for 2011-12;
 - the controls established to reduce audit fee deficits and ensure that the Office met the 2011-12 target; and
 - the management of the NAO's use of financial resources, and the presentation of performance against budgets.

It was agreed that further consideration would be given to the management accounting information following the laying of the year end accounts.

Risk Update

- 4.3 SH introduced the Risk Update. The Board's considerations included a discussion of the mitigating actions with regard to external risk B, where the NAO was taking action to ensure that the audit approach is sufficiently robust. The Board also considered the criteria for determining risk ratings, particularly whether any of the external risks

should be rated Red, given the current uncertainty in much of the external environment. It was agreed that this was not necessary at this time, as although the situation remained uncertain, the NAO was currently managing the risk appropriately, therefore the potential impacts of the risks had decreased.

Item 5

Annual Report of the Audit Committee

5.1 MK presented the Annual Report of the Audit Committee, thanking those involved in supporting the Audit Committee throughout the year. The Board noted and approved the report.

Item 6

Annual Report & Resource Accounts

Annual Report

6.1 MB presented the Annual Report to the Board for consideration and approval, highlighting the comments log. The Board noted the action taken to address their earlier comments, and approved the report for publication, noting the following:

- consideration should be given to an alternative presentation of the Board members for future years, to avoid an artificial divide of non-executive and executive members;
- agreement that the work of the NAO does have an impact to improve public services, by supporting government bodies to improve the use of information and quality of decision making;
- agreement that the Board would consider the statements of the NAO's role and purpose as part of the wider discussion on strategy to be held in September; and
- the plans to seek feedback from stakeholders on their views on the report.

Annual Report

6.2 JR presented the Resource Accounts to the Board for consideration and comment. The Board approved the accounts, subject to the amendments agreed by the audit committee, and recommended the Accounts to the C&AG for signature.

Item 7

Non-Statutory Work Programme

- 7.1 MB presented the paper to the Board, which set out the planned non-Statutory work programme for 2011-12, for the Board's comment and approval. The Board discussed aspects of the paper including role of Parliament in granting funding for the non-Statutory programme as part of the NAO's strategy; the process by which the workstreams and related projects are identified and prioritised during the year; the role of landscape reviews and Performance Improvement work in allowing the NAO to take a broader view and place departmental issues in the wider context of government; and the role of non-statutory work in supporting the NAO's statutory purpose.
- 7.2 The Board also discussed what drove the non-statutory programme, and the distinction between non-statutory work and that undertaken to meet the NAO's statutory functions. It was agreed that the Board would hold further discussions on these points at its strategy day in September.

Action: Ruth Brutnall to ensure that the agenda for the Board Strategy day includes discussion on the non-statutory work programme.

Item 8

Local Audit

- 8.1 MS presented a paper introducing the government's consultation document and invited the Board's comments on the questions raised by the consultation to inform the development of the NAO's thinking in this area. It was noted that the NAO would not provide a formal response to the consultation document. The Board gave the paper detailed consideration and discussion covered the following points:
- the need for careful consideration of any potential change in the scope of the NAO with regard to value for money in local authorities;
 - the potential for the NAO to engage with the current thinking being developed on the audit status of small and 'micro' entities. RF offered to work with MS on this;

- whether there would be any change to the role of the NAO with regard to foundation trusts, with regard to the requirement for value for money in the use of funds voted by Parliament; and
- the need for the Board to give further consideration to the implications for the NAO following the conclusion of the consultation exercise.

8.2 It was agreed that the Board would give this issue further consideration at the July Board meeting.

Action: Mike Suffield to contact RF in respect of the current work on the audit position of smaller entities.

Item 9

Any Other Business

9.1 The Board noted the following papers received for information:

- Minutes of the Audit Committee meeting on 22 March.
- Minutes of the Remuneration Committee on 22 March.

Ruth Brutnall

Board Secretary, May 2011

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Chairman