

The Board
15 May 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
John Thorpe	JT	Executive Leader

Apologies

None

Attendees

Toni Whitby	TW	Interim Head of Governance
Gurdip Juty	GJ	Financial Controller (Items 2, 3 & 4)

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.

Action Points and Matters Arising

1.3 The minutes of the meeting held on 20 March were approved and the Board agreed to their publication on the NAO website.

1.4 The Board agreed completed action points could be removed from the Action Log.

C&AG's Update

1.5 The C&AG presented his written report to the Board and invited the Board's comments and questions. The NAO has been invited to join a new Government task force - Fraud, Error and Debt Group – which has significant ministerial representation. The high quality work undertaken by Mark Babington in this area had instigated this invitation.

Update on the latest developments with PAC and Parliament

1.6 Gaby Cohen (GC) provided an oral update on the recent PAC hearings. The hearing on the sale of Royal Mail had generated over 800 press articles.

Item 2

Year End Governance

Business Report

2.1 The Board received the year end Business Report from Gurdip Juty (GJ) which showed a final net resource requirement of £64.5 million, a £1.5 million underspend. Of this, £1.3 million arose from the faster implementation of the restructuring with consequential savings.

2.2 Finance is working to reduce fee deficits for 2014-15 by ensuring staff accurately forecast and budget earlier in the year. This would allow any remedial action to be taken in a timely manner thus securing greater progress in reducing the deficit.

- 2.3 The Board briefly discussed new arrangements for monitoring cluster performance. Summaries would be incorporated into the monthly business report and commentary considered by the Board (from July).

Risk Report

- 2.4 The Board considered the proposed new Risk Report Framework for 2014-15 presented by GJ. The new framework reflected enhancements which the Board had suggested: improving the link between operational and strategic risks; making the assessment of risk more dynamic to reflect new risks maturing as well as those that did not require Board attention (either because they were under control or the likelihood had significantly reduced); and being clear about risk owners. The Board asked for Transformation to be added to the framework – particularly around ensuring that Transformation was sustainable. The Board also asked that the framework and supporting narrative should be concise to easily and quickly identify priority risks requiring action.
- 2.5 The Board approved the Risk Report Framework subject to the changes suggested being incorporated.

Action: GJ would update the Risk Report Framework to include Transformation.

Item 3

Contracts and Programmes over £500,000

- 3.1 The Board received the business case for replacing the NAO's ERP. This project is part of the NAO's strategy to ensure continuous improvement in the NAO's management of its resources. The existing legacy systems are now between 15-20 years old and from next year the Oracle platform, which the NAO uses, will no longer be supported. The current systems were bespoke and over elaborate for the NAO's needs. Significant efficiencies can be achieved from having a more integrated off-the-shelf system. Wider benefits would come from this through streamlining many of the NAO's existing processes.
- 3.2 The Board felt the business case was detailed but asked for further information before approving the business case, namely: the NAO's IT Strategy; more information on the NAO's earlier consideration not to move to a shared service model; and how the project fitted within the NAO's wider ongoing cost improvement strategy. The Board noted that Michael Whitehouse (MW) would be the Senior Responsible Officer with Sally Howes

(SH) providing IT/systems expertise. The Board were interested in the assurance which the business case had been subject to and asked for specific assurance from SH (as the NAO's IT expert) that the proposed solutions made the best sense for the NAO, and was deliverable to cost and operational requirements.

- 3.3 Due to timing constraints which were influencing the procurement timetable, it was agreed that the additional information would be circulated to the Board Members by email. If further concerns remained, a discussion would take place at the Board's July meeting. If not, approval would be given. A conference call for the Board to discuss would be arranged in early June once the additional information was provided.

Action: *Further Information on ERP would be provided to the Board (Action by MW). A conference call to discuss the way forward would be organised, before the Board met in July, and a decision taken by correspondence.*

Item 4

Annual Report and Accounts

- 4.1 The 2013-14 Annual Report and Accounts were considered by the Board and approved drawing on earlier consideration by the Audit Committee on 12 May. The Annual Report and Accounts will be laid in Parliament after 2 June. This would be later than previous years because of due to prorogation for the European and Local Elections.

Annual Diversity Report

- 4.3 The NAO's Annual Diversity Report covers the second year of a three-year Diversity Strategy (2012-15). Subject to minor amendment, specifying actions being undertaken to achieve the targets set out in our strategy, the Board approved the Annual Diversity Report for publication on the external website.
- 4.4 In approving the Diversity Report, the Board asked for a more substantive discussion of the important issues at its July meeting. This discussion should consider the challenges which the NAO faces, the stretch in the targets it is setting and actions being taken.

Action: *Diversity and the NAO's Diversity Strategy would be discussed at the July Board Meeting (Action GC).*

Annual Health and Safety Report

4.5 The Annual Health and Safety Report was approved by the Board for publication on the external website.

Action: The annual Diversity and Health and Safety Reports were approved and would be published on the external website (Action GC).

Item 5

Transformation

5.1 The Board received a progress report on Transformation. The structural changes in how the NAO worked had been implemented, but the Board noted that benefits realisation and cultural change within the NAO was an ongoing challenge and would require sustained effort. The Board sought assurance that Transformation would realise the benefits of better ways of working and enhanced behaviours.

5.2 Quarterly alignment meetings on consolidating new ways of working were being set up. Two members of the Leadership Team were involved with, and monitored, each Cluster.

5.3 The Board suggested that the Annual People Survey, to be carried out in the summer, would be an opportunity to gain clear feedback on the transformation process and in particular how it feels for people working in the NAO. The Board requested that the Leadership Team should look carefully at the questions on transformation to make sure that this was covered.

5.4 The Board would be provided with quarterly progress reports on Transformation.

Action: The summer Annual People Survey would include direct questions on the effects of Transformation on them (Action GC).

5.5 The Board received the analysis of the April Pulse Survey noting that the overall trend - compared to 2013 - was positive, with significant improvement in scores in some areas, with a few areas showing no significant change, or a decline.

Item 6

Audit Annual Reports

6.1 The Board received the Annual Report of the Audit Committee.

6.2 The Board received the Annual Report from Peter Wood, the Director of Internal Audit and Assurance (DIAA).

Item 7

Any other business

7.1 The Chair gave an update on the outcome of the Collective Complaint Procedure.

7.2 The Board received the Fee Deficits Paper from Maggie McGhee setting out actions to reduce the fee deficits in 2014-15. The DIAA had recommended that by introducing quarterly billing it would strengthen Finance's ability to enforce recovery. This was being implemented.

7.3 The Board were asked to complete and return the Board Evaluation Questionnaire to Toni Whitby. An electronic version of the questionnaire would be circulated to the Board. The Board would discuss the findings at the July meeting.

Action: *The Board Evaluation feedback from the 2014 questionnaire would be discussed at the Board meeting on 28 July.*

7.4 The Board noted Learnfest had been very successful. Feedback had been very positive and the programme of events was being put forward to CIPD (an HR body) for external recognition. It was suggested that NEDs would find it valuable to attend Learnfest events, with the possibility of a member of Board leading an event.

Action: *The Learnfest agenda for 2015 (once it had been agreed) would be circulated to the new Board.*

7.5 The unapproved draft Audit Committee minutes of the meeting on 12 May had been circulated to the Board.

Toni Whitby

May 2014