



National Audit Office

The Board

28 November 2013

NAO Newcastle Office

Present

Members

Andrew Likierman	AL	Chair - Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Gabrielle Cohen	GC	Executive Leader
Naaz Coker	NC	Non-executive Member (By VC)
Gillian Guy	GG	Non-executive Member
Paula Hay-Plumb	PHP	Non-executive Member
Ed Humpherson	EH	Executive Leader
Mary Keegan	MK	Non-Executive Member (Items 1-4)
Michael Whitehouse	MW	Chief Operating Officer

Apologies

None

Attendees

Ruth Brutnall	RB	Head of Governance
---------------	----	--------------------

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

Item 1

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

Welcome and Apologies for Absence

- 1.1 There were none, though MK noted she would have to leave the meeting early.

Declarations of interest

- 1.2 There were none.

Minutes of meetings and action points

- 1.3 The minutes of the meeting held on 24 October 2013 were approved. No sensitive items were identified which would affect their public disclosure, and the Board agreed to their publication on the NAO website.
- 1.4 Progress on the action points was noted and the Board agreed that those items marked as closed should be deleted.

Matters arising

- 1.5 MK raised a question asking whether the Board could be provided with an overview of the NAO's future work programme for discussion, as had happened previously. The executive members agreed to this.

Action: Board secretary to ensure that the forward programme of work is provided to the Board for discussion, when finalised.

- 1.6 The Chair raised two points. The first was to note that he had recently briefed the panel responsible for recruiting his successor as Chair on the role and experience and capabilities that the panel may wish to see in candidates. The second was to propose that following this, first, visit by the Board to the NAO's office in Newcastle, the Board should visit the office once a year and in 2014 this visit should be in November. The Board agreed this suggestion.

Action: Board secretary to arrange for a meeting of the Board to take place in Newcastle in 2014.

C&AG's update

- 1.7 The C&AG presented his written report. The Board thanked him for the report, and the additional information on recent senior appointments within the NAO. The Board discussed a number of points, including the continuing work by HM Treasury on financial management in government and the NAO's programme of work between now and the general election in 2015. The C&AG commented that it would be important that the NAO managed its work carefully in the period running up to the election to avoid being seen as overtly political, while continuing to provide a clear opinion on areas where the delivery of public services could be improved.

Update on work with Parliament

- 1.8 GC provided an oral update on the NAO's work with Parliament and in particular the NAO's relationship with the Committee of Public Accounts, highlighting the recent hearings with government contractors and on the report on maternity services. She noted that the forward programme for the Committee until Christmas included a number of hearings which were likely to attract public interest, on gift aid, student loans, A&E services and free schools.

Update from Audit Committee

- 1.9 GG provided an update on the Audit Committee, which had met that morning. She reported that the two key items of business were the consideration of the external auditor's Audit Planning Memorandum and the long list of topics for the external value for money report to be undertaken in 2014. On the latter she noted that the Committee had agreed that this should focus on specific aspects of the Transformation Programme, and that the Committee would be working with the auditor to develop a clear scope for the review. The Committee had also received four reports from the Director of Internal Audit and Assurance, which did not report any major concerns with no area being reported as higher than Amber Green.

Item 2

NAO Board: Objectives and Committees

Board Committees Membership and Terms of Reference

- 2.1 The Chairman introduced a paper setting out proposed changes to the membership of the NAO Board's two committees. He noted that following a review, no changes were proposed to the terms of reference to either committee, though it was proposed to

include a protocol setting out the Remuneration and Nominations Committee's role in respect of specific senior appointments within the NAO. The Board approved the changes in membership and the protocol which would be incorporated into the terms of reference for the committee with immediate effect.

External Audit Contract

- 2.2 GG introduced a paper inviting the Board to note and ratify the decision made via correspondence to appoint Crowe Clark Whitehill as the NAO's external auditor, noting that should the Board ratify its decision, the Chairman would write to the Chair of the Public Accounts Commission to inform them of the outcome of the re-tendering exercise and invite the Commission to appoint the NAO's new auditor with effect from 1 April 2014. The Commission would consider this at its hearing in March. The Board sought confirmation that the costs of the audit would remain at a similar level under the new contract. GG confirmed that cost had been considered as part of the overall scoring during the evaluation of tenders.
- 2.3 The Board noted and ratified its decision to appoint Crowe Clark Whitehill as the NAO's external auditor.

Board Objectives and Programme 2014

- 2.4 The Chairman presented the Board objectives and programme for 2014 to the Board for approval. Members agreed the objectives and work programme.

Item 3

Good Governance: Business Report, Risk Report and Transformation Update

Business Report

- 3.1 MW introduced the Business Report, reporting that no area had been rated as red. The Board noted the report, and commented that at times the wording of the report was passive and did not provide a sense of progress or the timescales by which suggested actions would be achieved, citing as an example the action proposed in response to the fee audit deficit. The Board also queried whether there was a wider audience for the Business Report, or whether it was for the sole use of the Leadership Team and Board. GC confirmed that the Business Report is published on the NAO's intranet each month, and the Board suggested that in that case it may be helpful to use more direct language

so that all staff were aware of the issues and also what action may be expected of them in response.

- 3.2 GC raised a point regarding the correspondence target, reporting that it was proposed to change the target timescales for the NAO's response to correspondence received from MPs and the PAC, and the way in which performance against this target was reported. She noted that this was in part due to the increasing level of correspondence received via PAC or from MPs (with 479 individual items received to date, against a total of 147 during 2012-13) and the need to ensure that the target balanced a realistic assessment of response time with the need to prioritise correspondence of this nature. She sought the Board's confirmation that it was content to amend the target to one to respond to items of correspondence from PAC or MPs within 8 days (previous 5 days). The Board agreed, and GC noted that this would be implemented for the next report.

Risk Report

- 3.3 The Board received the risk report, noting that the Amber-Red rating for risk 6.4 'Failure to embed changes in culture and behaviour' should be considered in the light of the recent staff engagement via NAO 2014, and that a further assessment of this would be made in early 2014, once a short 'pulse check' survey had been undertaken and which would provide evidence to inform a decision as to whether this risk in this area had reduced.

Item 4

Good Governance: Feedback from the Public Accounts Commission Hearing

- 4.1 AM provided brief feedback on the recent hearing of the Public Accounts Commission on the NAO's strategy, noting that the strategy had been approved, but that the NAO faced continued challenge from members regarding its budget. MW added that there had been particular challenge regarding the figures presented for the savings achieved by the NAO. This had arisen from an inaccurate figure being presented in the briefing provided to members, and that he was working with colleagues to address this.
- 4.2 The Board discussed the issue of whether the NAO could present 'options' for further savings as requested by some members, and how to balance this request with the need to respect the statutory rights and duties of the C&AG. The Board noted that it would be important for the Board as a whole to agree any further review of the NAO's budget,

which Board members had previously been actively involved in challenging and agreeing, but that members were supportive of the C&AG as he considered how the NAO might best respond.

Item 5

Support and Advice: Moderated Feedback – Feedback from Audited Bodies

- 5.1 GC introduced this item, noting the importance of balancing a desire to receive positive and constructive feedback with the nature of the NAO's role in holding departments to account. She noted that the moderated feedback exercise, which the NAO undertook annual had two main purposes: (1) to provide an aggregate view of the NAO's engagement with the bodies it audits, based on a sample of around 10% of the client base; and (2) to provide specific feedback from individual departments and bodies.
- 5.2 The Board noted the paper and discussed what the NAO proposed to do in response to the feedback received; given the results remained broadly consistent with previous years, members querying whether the NAO's performance had plateaued. Executive members responded, highlighting that one of the key aims of the Transformation Programme had been to address the issues raised in feedback from audited bodies. It was expected that there would be two main areas where this would be the case. The first would be that the focus on common strategic issues facing specific clients would make the NAO's work more relevant to those bodies, and the second that the variegated approach to financial audit would address consistent feedback, particularly from smaller bodies, that the NAO on occasion 'over audited'.
- 5.3 The Board discussed how the NAO might use the moderated feedback results in 2014 to provide an indication of the impact of Transformation. The C&AG agreed that this may be a useful measure, but commented that the Board must remain aware that there was the potential for the Transformation Programme to have a negative impact on the feedback provided, as the focus on more timely reporting and investigative work lead to the NAO commenting on more sensitive or high profile areas.
- 5.4 The Board also discussed the feedback received from specific organisations, and in particular was pleased to note the positive feedback from the Ministry of Justice, which executive members noted reflected the strong investment in this relationship by NAO staff working on both the financial and VFM audit.

Item 6

Any Other Business

6.1 The Board received the following papers for information under any other business:

- The draft minutes of the Remuneration and Nominations Committee meeting, held on 24 October 2013.
- A short paper informing the Board of PHP's appointment to the Board of an investment trust.

6.2 The Chairman noted that this would be the last meeting of the Board that EH would attend and recorded his thanks to EH for his contribution to the Board in the four years he had served as an executive member.

Ruth Brutnall

December 2013