

The Board
24 October 2013

Minutes

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
Gillian Guy	GG	Non-executive Member
Paula Hay-Plumb	PHP	Non-executive Member
Ed Humpherson	EH	Executive Leader
Mary Keegan	MK	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer

Apologies

None

Attendees

Ruth Brutnall	RB	Head of Governance
Nigel Terrington	NT	Head of Strategy and Performance (Items 2 and 3)

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 & apologies for absence

- 1.1 There were none.

Declarations of interest

- 1.2 There were none.

Minutes of meetings and action points

- 1.3 The minutes of the meeting held on 24 September 2013 were approved, subject to a minor amendment to paragraph 4.12. No sensitive items were identified which would affect their public disclosure, and the Board agreed to their publication on the NAO website. The Board also agreed the draft note of the Board Strategy Day discussion.
- 1.4 Progress on the action points was noted and the Board agreed that those items marked as closed should be deleted. RB provided an update on the progress against the action to produce a summary HR Annual Report, and revisions to the Diversity Report. She noted that a version would be provided to the Board in the coming week, prior to publication.

Matters arising

- 1.5 There were none.

C&AG's update

- 1.6 The C&AG presented his written report to the Board and invited the Board's comments and questions. The Board raised one query, seeking the C&AG's views on the progress of the review of financial management in central government. MK commented that she had been approached by the team responsible for the review, requesting her views, and that she would speak with the C&AG further in advance of offering any response.

Update on work with Parliament

- 1.7 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. She noted that the Committee had recently been considering its future programme of work, and how it would structure future hearings, which the NAO would respond to, to ensure that it

provided the Committee with the appropriate support. The Board also sought GC's views on the recent press coverage of the NAO's work. GC commented that the NAO had received very little negative coverage (less than 2%) but that the Leadership Team was aware of the need to ensure that the NAO's public profile remained balanced, and that the timing of high profile reports was carefully managed, to avoid accusations of the NAO 'seeking headlines' through its work.

Update from Remuneration and Nominations Committee

- 1.8 PHP provided an update on the Remuneration and Nominations Committee, which had met that morning. She noted that the Committee had agreed a protocol for its role in advising the Chairman and C&AG on senior appointments, and the C&AG had shared his views on succession planning for senior roles on the NAO Leadership Team. In addition the Committee had also received a briefing from John McCann (Director of HR) on the pay and benefits landscape, and had reviewed its own terms of reference.

Update on action taken in response to the external auditor's value for money report

- 1.9 The Board noted the written update provided by MW, and raised one query regarding the timescales to address issues with the time recording system. MW noted that the NAO would be replacing its ERP system and that the changes to the time recording system would be aligned to both this replacement and the integration with the NAO's audit planning software.

Item 2

Good Governance: Business Report, Risk Report and Transformation Update

Business Report

- 2.1 MW introduced the business report and invited the Board's comments or questions. The Board raised two queries. The first related to the point raised in the management commentary regarding the need to improve project management in some areas of the office. MW noted that the NAO managed its work to ensure it delivered within time and budget, but the comments in the commentary to the business report highlighted an ambition to improve the way in which individual projects and pieces of work were organised and managed. He noted that two main areas of activity were planned to support this; the implementation of the skills strategy, and changes to the internal governance and accountability processes.

2.2 The second query related to the level of gross deficit on fee audits, where Board members enquired whether the proposed action to 'explore the potential' for further recovery was too passive. MW explained that there was very little action that could be taken in-year, as the audit work was now largely completed. However, Maggie McGhee, (Director General Audit Quality) was working with financial audit directors to improve the discipline regarding audit budgets and forecasts, and improving forecasting. This would be reflected in the current round of audit planning.

Q2 Risk Report

2.3 RB presented the risk report. GC highlighted that an early day motion had been tabled calling on the NAO to revisit the recent changes in staff terms and conditions. She noted that there was not an increased risk to the NAO as a result, but that the national branch of the PCS union were monitoring the position. MW reported that the NAO had commissioned an external review of the changes in terms and conditions, and emphasised the importance of the NAO maintaining a balance between pay and wider benefits. The executive management of the NAO did not judge that this represented an increase in the risk profile for the organisation at this point, but would continue to monitor the issue and any impact on staff morale.

Q2 Management Accounts

2.4 The Board received the management accounts for the second quarter of the financial year, noting their clarity and how helpful members had found them.

Mid-year performance review

2.5 The Board received the mid-year review of the NAO's performance against its six externally reported measures.

Item 3

Good Governance: NAO Strategy 2014-15 to 2016-17

3.1 NT presented the NAO's strategy for 2014-15 to 2016-17 to the Board for approval for submission to the Public Accounts Commission. MW thanked MK and NC for their comments, which had been reflected in the draft being presented. The Board noted that

the strategy read well, and that members were content with the current draft, with no requirements for further amendment. The Board approved the strategy.

Action: To submit the strategy to the Public Accounts Commission, in advance of the hearing on 5 November. (RB)

Item 4

Support and Advice: Transparency Report

- 4.1 EH introduced the Transparency Report for 2013, noting that it reflected the tone of the Board's discussions on quality in September. He commented that the report had two main aims; compliance with the formal reporting requirements and a high level statement of the NAO's approach and thinking about quality, and the unique aspects of quality in a public audit context.
- 4.2 The Board raised two points on the report. The first was that whilst the report was interesting, it could be made more accessible and have a greater impact by providing a short summary document highlighting the key aspects of the NAO's approach providing greater prominence to the framework of quality. EH agreed that a short summary would be helpful, and that he would develop and circulate this document to the Board. The second was a question about the audience for the report. EH noted that the NAO had not previously promoted the report, but this year, following publication would be seeking to promote it internally to raise awareness amongst NAO staff of the principles and philosophy which underpin the NAO's approach to quality assurance.

Action: To produce a short one page summary setting out the key aspects of the NAO's approach to quality. (EH)

- 4.3 The Board also discussed the potential value of aligning its annual reports on people and quality more closely with the Annual Report and Resource Accounts, to provide a single cohesive view of the NAO, through the lenses of people and quality, as well as the annual performance and financial reporting. The Chairman noted that the Board would find it useful to have a further discussion on the wider issue of how the NAO communicated its corporate messages externally.

Action: To consider the timing of the annual reporting cycle in 2014 to incorporate material on the NAO's people and quality. (GC)

Action: To include a wider discussion on the external communication of corporate messages at a future meeting of the Board. (RB)

Item 5

Support and Advice: feedback from Stakeholders – MPs' Survey

- 5.1 GC introduced this item, highlighting the key findings from the recent survey of MPs undertaken by Ipsos MORI in which the NAO participated each year. She noted that overall the results were positive; the NAO's profile was higher, and that this potentially reflected both the impact of recent work, which was increasingly aligned to the interests of Parliament and the issues faced by government bodies, and recent efforts to bring the NAO's work to the attention of individual MPs. GC also commented that these findings were supported by the statistics for parliamentary mentions, reported in the quarterly risk report, which suggested that the NAO's work was achieving one of its primary aims, to inform parliamentary scrutiny and debate.
- 5.2 AM commented that it was also likely that the positive results were in part due to the increased timeliness of the NAO's work; by anticipating issues the Office was able to inform debates at the salient time. The Board congratulated those involved in the proactive work to raise awareness of the NAO's work amongst a wider group of MPs.
- 5.3 The Board discussed the finding regarding the extent to which the NAO was seen by MPs as being authoritative, where there was a 10 point reduction in those MPs reporting that the NAO was authoritative in the area of public spending and an 8 point reduction in those that found the NAO authoritative of government finance. The Board queried whether there was a distinction between those MPs who sat on select committees, and therefore had more exposure to the NAO's work, and those who did not. GC commented that it was not possible to analyse the data in this way. The Board also discussed the extent to which the NAO's focus on wider areas of expertise such as accountability, beyond financial management, had impacted on the results, as the NAO was developing an authoritative position on a wider range of relevant issues.

Item 6

Support and Advice: Transformation update

- 6.1 MW introduced the update, noting that the purpose was to provide the Board with an assessment of progress. He reported that while progress was good, the Leadership Team accepted the need to improve communication regarding the programme to NAO staff particularly regarding the objectives of transformation and how the NAO will be different as a result. There was a planned week-long event in November, NAO 2014, which would provide a platform for this. He invited the Board's views on this issue, and also the intention to consider a 'formal close' of the programme in January, as the NAO moved to operating the changes implemented as business as usual.
- 6.2 The Board agreed that it would be premature to seek a formal close of the programme in January, and instead it would be more appropriate to discuss the concrete achievements of the programme, against its original objectives. In particular the Board emphasised the importance of highlighting those changes which were engaging or exciting for NAO staff, to more clearly convey the positive aspects of the change.

Action: Board secretary to include this discussion on the agenda for January.

Item 7

Any other business

- 7.1 The Board received the following papers under any other business:
- For information: Outline programme and travel options for the Board meeting in Newcastle in November.
 - For consultation and comment: Draft Board programme and objectives for 2014.

In addition GG provided an update on two points of business from the audit committee- the process to appoint a new Director of Internal Audit and Assurance and the progress in evaluating tenders from external audit providers.

Ruth Brutnall

October 2013