

**The Board**  
**16 January 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
Paula Hay-Plumb	PHP	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Michael Whitehouse	MW	Chief Operating Officer

## Apologies

None

## Attendees

Toni Whitby	TW	Interim Head of Governance
Nigel Terrington	NT	Head of Strategy and Performance (Items 2 & 3)
Maggie McGhee	MMcG	Director General, Audit Quality (Items 2 & 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**

#### **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 1.5; and the NAO Board's Meeting in Newcastle would now be October 2014. 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 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. He highlighted the potential for Network Rail to fall within the NAO remit; now that its' status has been reviewed by the Office of National Statistics (ONS).

#### **Update on work with Parliament**

1.7 GC provided an oral update on the recent PAC hearings. Work was in progress in developing the PAC programme of hearings prior to the General Election.

## **Item 2**

### **Good Governance: Appointment of Interim Board Secretary**

2.1 The Board approved the appointment of Toni Whitby as Interim Board Secretary.

## Item 3

### Good Governance: Business Report, Quarter 3 Risk Report and Performance Review

#### December Business Report

- 3.1 MW introduced the business report highlighting that £1.8 million of the 2013-14 budget was now predicted to be unspent; and of this £1.3 million was a permanent salary saving from the restructuring being completed sooner than planned.
- 3.2 The Board had previously asked for more detail on action being taken to reduce the audit fee deficit which is now forecast to be £420K for 2013-14. MMcG explained the strategy focusing on (i) the four audits which have yet to be completed for 2013-14, where there may be scope to recover more costs; and ii) action for next round of audits. Key actions are: confirming early enough that audits have the appropriate skill mix with the budget reflecting this accurately; and for smaller lower risk audits the approach is commensurate with underlying risk. The latter was important to avoid unnecessary work. MK emphasised that robust budgeting was not just important for fee audits but something all audits should demonstrate.

**Action:** *MMcG: The Board requested a single sheet analysis analysing the fee deficit and assessing those audits for which the fee deficit should be fully addressed in the coming year and ensuring early recognition processes are in place to identify critical stress points before there was an impact on audit delivery timing.*

- 3.3 The Board asked how staff turnover targets were determined. MW explained that the NAO's long term resilience depended on (i) having sufficient turnover to refresh skills and people talent; (ii) early warning that staff shortages were likely requiring action; and (iii) being aware whether any systemic dissatisfaction with NAO, including pay, was contributing to larger numbers of staff leaving, which required investigation. The turnover targets were set with these factors in mind drawing on similar approaches used in audit firms and Audit Scotland. Improvements within the economy were likely to have some impact on staff turnover. Staff engagement was also an important factor. The first Staff Pulse Survey results were due at the end of January and would provide an indication of staff opinion.

#### Quarter 3 Management Accounts

- 3.4 The Board received the management accounts for the third quarter of the financial year.

### Quarter 3 Risk Report

3.5 MW presented the risk report. The Board welcomed the early assessment of Enterprise Risks, which would be discussed in more detail at the Board strategy meeting in March. PHP asked for the layout to incorporate signposts to assist interpretation. MK drew attention to the FRC Professional Oversight Board's review of whether auditors should be rotated every 10 years, and the likelihood that if this was accepted that the public sector may follow this. MK suggested this should be included in the consideration of Enterprise Risks.

**Action:** *MMcG: The risk register layout would incorporate signposts to assist interpretation and the Enterprise Risks would be discussed at the Board Strategy Meeting in March.*

### Quarter 3 Performance Report

3.6 The Board received the Quarter 3 Performance Review of the NAO's performance against its six externally reported measures, noting that the paper was informative and interesting. The Board would like to see some of the examples of our insight and investigations work incorporated as examples of the NAO's wider impact within the Annual Report. NT confirmed that we are planning to do so.

## Item 4

### **Support and Advice: NAO Transformation Programme: Status Report**

4.1 MW introduced the update. The Board had asked in November for an update as to what would be different as a result of transformation. The paper provided a short summary of what is different in terms of the enhanced impact of the NAO, our skill base and the way we work. The required structural changes and work plans needed to deliver the outputs to secure greater influence and positioning of the NAO in the run up to the General Election were now all in place. The impact of these changes will increasingly be visible over the next 12 months. The Board recognised the progress achieved but asked for a more explicit statement of headline achievements and trends.

**Action:** *MW: To provide the Board with a one page summary of what the transformation has achieved for staff and how the NAO undertakes future work will be circulated prior the next Board Meeting. The paper would also be a useful way of internally communicating the positive aspects of the transformation.*

## Item 5

### Support and Advice: NAO's Approach to Corporate Communications

5.1 GC introduced the Corporate Communications paper. The paper detailed the various external communication channels used and the timings of annual reports and corporate publications. The Board asked for further consideration of the timing of external publications for greater impact, ensuring communications aligned with completion of reports and the corporate publications such as the Annual Report.

**Action:** GC: *To give consideration to the timing of the publication of corporate reports and to review alternative formats for the Annual Report.*

5.2 The Board expressed an interest in internal communications and transparency. GC confirmed that she was responsible for communications internally.

**Action:** *A wider discussion on the communication strategy for the Annual Report and key corporate messages to be held at the Board's Strategy Meeting in March.*

## Item 6

### Any Other Business

The Board received the following papers under any other business:

6.1 The Board formally agreed the Code of Conduct for 2014.

6.2 The Board noted the responses to the 2013 People Survey.

6.3 The Board noted the Endorsement Letter from Sir Edward Leigh, the Chair of The Public Accounts Commission, regarding the appointment of the new external auditors, Crowe Clark Whitehill from 1 April 2014.

6.4 The Board noted the draft Minutes of the Audit Committee Meeting of 28 November 2013.

6.5 The Board noted that C&AG had met with the Remuneration and Nominations Committee to discuss the evolution of the Leadership Team.

**Toni Whitby**

**January 2014**