

The Board
20 November 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
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
Naznin Coker	NC	Non-Executive Member

Attendees

Toni Whitby	TW	Interim Head of Governance
Gurdip Juty	GJ	Financial Controller (Items 2 & 3)
Nick Lacy	NL	Head of Policy (Item 3)
Sally Howes	SH	Executive Leader (Item 3.1)
Vicky Cox	VC	Head of Facilities (Item 3.2)

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

Item 1

Apologies for Absence

1.1 There were no apologies.

Declarations of Interest

1.2 There were none.

Minutes of the Previous Meeting

1.3 The minutes of the meeting held on 23 October 2015 were approved. The Board agreed to their publication on the NAO website.

Action Points

1.4 The Board agreed the completed actions should be removed from the Action Log.

Feedback from TPAC Hearing on 6 November on appointment of NEMs to the Board

1.5 Andrew Likierman (AL) briefed the Board on the closed session with The Public Accounts Commission (TPAC) to discuss the three non-executive appointments to the Board.

Matters Arising

1.5 There were no matters arising.

C&AG's Update

1.5 Amyas Morse (AM) reported on the recent Home Office hearing and on annual review meetings with Accounting Officers.

Update on the latest developments with PAC and Parliament

1.6 Gaby Cohen (GC) provided an update on the recent PAC Hearings, noting that the clearance process for reports going to Hearings had been challenging with PAC refusing late submission of papers from Departments. She reported that the NAO has received positive comments on reports and investigative work and were seen as credible witnesses.

- 1.7 A recent PAC Tax Conference had been well attended by professionals including many international attendees, with contributions from the OECD and Justin King, former CEO of Sainsburys. A report was due out shortly on tax reliefs.

Oral Update from the Chair of the Audit Committee

- 1.8 Gillian Guy (GG) updated the Board on the outcomes of the morning's meeting of the Audit Committee. The Committee had proposed a further amendment to its Terms of Reference and had agreed the External Audit Plan. Further information on the role of IT Enabled Change and Integrated Programme Office would be provided in the Internal Audit Plan through a report from management on progress; these would be provided to the next Audit Committee meeting. The Audit Committee's interim report would be discussed later in the meeting by the Board.

Item 2

Business Report

- 2.1 Gurdip Juty (GJ) provided the Board with an update on the Business Report. The non-executive members asked that the business report be reviewed to consider the audience of new non-executive members to ensure clarity and ease of reading. Further suggestions on the format would be provided to GJ after the meeting.

Risk Report

- 2.2 The Board considered the risk report and noted that Sally Howes (SH) had a number of risks assigned to her. It was suggested that risk mitigation needed to be assigned to individuals and that some of the risks should be unpicked. It was agreed that Michael Whitehouse would review these. AM acknowledged that "change" should be assigned to him.
- 2.3 It was suggested that further work was required to ensure a consistency of message when describing digital and audit analysis. Clusters needed to understand and provide input on strategic risks. In response, it was acknowledged that this was something on which work was taking place to ensure that there was a single narrative clearly articulated, so that everyone in the NAO understood their role in risk management.
- 2.4 It was further suggested that business change projects should be added to the Risk Register, capturing whether they were late or over budget. In response, it was acknowledged that further work was required to the risk register to ensure that risk mitigation was not seen as risk elimination.

Action: *The Risk Register to be reviewed in the light of the discussion above (Action MW).*

Item 3

Use of Resources | Update on ERP

- 3.1 SH and GJ provided the board with an update on the contract negotiations with Hitachi, noting the contract signature date was mid to end December. Work had been undertaken on the plans for implementation to ensure a better fit with the business cycle. Legal advice had been sought on the draft contract to ensure the roles and responsibilities of Hitachi and the NAO were clear.
- 3.2 It was reported that, as Senior Reporting Officer, MW was responsible for the digital strategy, including the ERP project, with expertise being provided by SH.
- 3.3 SH set out how the NAO was moving towards working digitally. In doing so, it was ensuring that changes were compatible with the NAO's ways of working and that the integrity of data systems was retained. Assurance was requested about the use of resources and asked how ERP fitted with the IT/Digital strategy that had been provided to them in for this meeting, compared with the IT strategy they had received in June.

Action: *A further short paper to be provided by e-mail for the non-executive members outlining the benefits of the investment in ERP and its fit with the new IT Strategy (Action GJ/SH).*

Consideration of the Facilities Contract

- 3.5 The Board received details of the retendering process for two facilities contracts (Manned Guarding and Reception; and Total Facilities Management). The Board asked for a further paper setting out the procurement assessment undertaken.

Action: *A further short paper to be provided by e-mail as set out above. (Action MW/VC).*

Timely Escalation of Information on Contracts

- 3.6 Following discussion, it was agreed that, in order to provide appropriate governance, when contracts were to be discussed by the Board, it should be clear about whether Board consideration or approval was being sought. It was agreed that for all new projects, a business case should be provided giving a summary of the key facts, the context of the expenditure in relation to the strategy, how it fitted with the NAO's proposed or agreed budget, and the benefits realisation over the lifetime of a project.

Action: *For all new projects, a business case should be provided as above. (Action MW).*

3.7 Following further discussion it was agreed that a schedule of significant projects and contracts to be entered into for the coming year would be supplied to the Board which would include totality of cost, timing, impact and benefits to the NAO set out over the lifetime of the project.

Action: The Board would be provided with a schedule of significant projects which it expects to consult with the Board over the coming year when the Business Plan comes to the Board in March 2015 (Action MW).

Item 4

Reappointment of the External Auditors

4.1 The board considered the process for reappointing the auditors. It was reported that the Clerk of TPAC would put forward to the Committee that the external auditors be appointed for three years, as set out in the Chair's letter in March 2013.

Item 5

Moderated Feedback 2014

5.1 The Board noted that the overall picture was generally positive. It was reported that the Leadership Team would be discussing the results to see how the analysis could help internally with the strategy, in raising our external profile with Accounting Officers and in understanding better how NAO interventions may be perceived by our stakeholders.

Item 6

Work Programmes

6.1 The Board considered the work programmes for the Board and its Committees and agreed that these be remitted to the new Board and Committees.

Item 7

Remuneration and Nominations Committee Annual Report

7.1 Paula Hay Plumb (PHP), as the outgoing Chair of the Remuneration and Nominations Committee, provided the Board with a report covering the work of the Committee since its inaugural meeting in March 2010. The report would also provide a "handover"

document to the new Chair and Committee members. In accepting the report, the Board recommended that an annual report should go to the Board as part of good governance.

Item 8

Audit Committee Half Yearly Report

8.1 As the outgoing Chair of the Audit Committee, GG provided the Board with an interim report covering the period July to November 2014. The report would provide a “handover” document to the new Chair and Committee members. Following discussion with the Director of Internal Audit and Assurance, GG confirmed that the NAO’s internal operations were backed by a robust framework of internal controls, risk management, financial reporting and governance arrangements. In accepting the report, the Board noted that GG would update the report, following the Audit Committee’s meeting in the morning.

Item 9

Terms of Reference and Standing Orders Review

9.1 The Board considered the review of the Board’s Terms of Reference undertaken by the Board Secretary. The Board has been compliant with its own terms of reference during 2013-14 and noted the updated ToR.

Action: *The updated ToR would go to the new Board for approval at its first meeting in 2015 (Action Board Secretary).*

Item 10

Chair and Non-Executive Members

10.1 The Board noted the dates for the Chair and those non-executives members who are stepping down from the Board and Committees as follows:

- Chair of the Board: Andrew Likierman’s term of office ends on 9 January 2015.
- Chair of Remco and SID: Paula Hay Plumb’s term of office ends 30 November 2014.
- Mary Keegan’s term of office ends 31 December 2014.

- Chair of Audit Committee: Gillian Guy's term of office ends 31 December 2014.

10.2 The Board further noted that Chairs of the Audit Committee and the Remuneration and Nominations Committee would be appointed by the new Chair of the Board. Membership of the Committees would be agreed by the Board.

Item 11

Any other business

- 11.1 The Board received the minutes of the Remuneration and Nominations Committee's meeting of 23 October 2014.
- 11.2 The Board received a brief on the Employment Appeal Tribunal Hearing planned for 15 December 2014.
- 11.3 The Board received the final NAO Strategy for 2014-16 to 2014-18.
- 11.4 The Chair thanked everyone for their contributions over the 6 years he had been Chair. The Executive Board Members also thanked the retiring non executive members.
- 11.5 The non-executives thanked Toni Whitby for her assistance over the last year as Board Secretary and Helene Morpeth for her work with the Committees.

There being no further business, the Board Meeting ended.

Toni Whitby

November 2014