

The Board
25 October 2012

Minutes

Present

Members

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

Attendees

Ruth Brutnall	RB	Head of Governance
Marcial Boo	MB	Director, Strategy, Knowledge & Communications (Items 6 & 7)
Jim Rickleton	JR	Director General, Finance and Commerce (Items 6 & 7)

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

Item 1

Welcome & Apologies for absence

- 1.1 The Chairman noted that apologies had been received from Naaz Coker. To ensure that the meeting remained quorate, with a majority of non-executive members present, he invited Ed Humpherson to attend in an observer capacity.

Item 2

Declarations of interest

- 2.1 There were none.

Item 3

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

Minutes of meetings and action points

- 3.1 The minutes of the meeting held on 27 September 2012 were presented for approval. The Board requested some drafting amendments to the section covering the Board's discussion on Ethics. The Board agreed that it would review the revised draft at its meeting in November, prior to approving the minutes for publication. The Board agreed the note of the Board's strategy discussion on 28 September.
- 3.2 Progress on action points was noted. EH reported that work was in hand to address the Board's comments on the Transparency Report, and that a final draft would be available in the coming weeks. The Board agreed those actions marked for deletion.

Matters arising

- 3.3 The Chairman provided an update on his meetings with Accounting Officers, which took place over the summer. He reported that the individuals he met were broadly positive in their views of the NAO and recognised the importance of the NAO's work in focusing attention on issues of financial management and delivery in government. He reported that they had highlighted a number of areas where the NAO could take action to improve its relationships with government bodies, including the NAO's cross-government work.

C&AG's update

- 3.4 The C&AG presented his written report, and provided an oral update on his recent appearance before the Welsh Public Accounts Committee where he gave evidence on the NAO's governance as part of a hearing on proposals to reform the governance of the Welsh Audit Office, his presentation to the heads of internal audit for central government departments, and the NAO's continuing work with the Committee of Public Accounts on tax settlements.
- 3.5 The Board also discussed the NAO's relationships with its stakeholders in government, following recent comments on the role of the NAO and the Committee of Public Accounts.

Update from the Remuneration and Nominations Committee

- 3.6 PHP provided an oral update on the consideration of the Remuneration and Nominations Committee which had met earlier that day. She reported that in addition to the proposed revisions to the Committee's Terms of Reference, which would be considered under Item 4, the Committee had discussed how it would manage its additional responsibility for nominations, since the Board's decision to widen the scope of the Committee's role.

Item 4

Good Governance: External Board Evaluation & Objectives for 2013

- 4.1 The Chairman welcomed Hanif Barma to the meeting, and invited him to present the findings of the recent external evaluation of the NAO's Board. HB provided an overview of the key findings of the evaluation, noting that the NAO had adopted the revised governance arrangements well. He provided a positive assessment of the NAO Board in a number of areas, including the balance of skills on the Board, the function of the Board's committees and the objectives and annual Board programme, and made a number of recommendations for further improvement.
- 4.2 The Board thanks HB for his report, and discussed how the NAO should respond to the recommendations. Members agreed that they were broadly content with the recommendations made, and discussed a number of specific recommendations in detail, agreeing that the Board would no longer receive the detailed management accounting information, but that a summary form, providing an appropriate level of detail for the

Board would be provided twice a year. The Board also discussed the recommendation regarding the Board's role in the NAO's management of its relationships with key stakeholder groups, and agreed that the Chairman should continue to meet with members of the Public Accounts Commission, the Committee of Public Accounts and certain permanent secretaries on a regular basis, and that non-executive members should join these meetings.

- 4.3 The Board agreed that the Chairman and Board Secretary should develop an action plan setting out how the Board will take forward each of the proposed recommendations.

Action: To develop an action plan for the implementation of the Independent Audit recommendations.

Board Objectives 2013

- 4.4 Informed by the external evaluation, the Board considered its objectives for 2013, and the proposed work programme. The Board agreed the draft objectives, and discussed the possibility of taking a particular 'theme' for the year, such as knowledge management or culture, and considering aspects of this subject throughout the year.

Action: Chairman and Board Secretary to reflect this in the agendas and work programme for 2013.

Terms of Reference

- 4.5 In the light of the report of the external evaluation, the Board considered the Terms of Reference for the Audit Committee and the Remuneration and Nominations Committee. MK reported that there were two amendments proposed to the Terms of Reference for the Audit Committee, to avoid duplication between the audit committee and Board in considering risk reports and to align the annual evaluation of the Committee with that of the Board. The Board agreed these changes.
- 4.6 MK invited the Board to consider a further issue, the publication of the minutes of the Audit Committee. She reported that there were diverging views among committee members on this issue, and she invited the views of the executive members of the Board. The Board noted that the NAO's advice to government bodies was that in order to ensure a free exchange of views and information, Audit Committee minutes should not be routinely published. In light of this it was agreed that the NAO should not publish the minutes of the Audit Committee, and that the Terms of Reference for the Committee should be amended to reflect this.

4.6 PHP invited the Board to consider and agree three changes to the Terms of Reference for the Remuneration & Nominations Committee noting that the proposed changes reflected the increased scope of the Committee for nominations, as agreed by the Board in July, and would also align the annual evaluation of the Committee's performance with the Board evaluation process. The board agreed the changes.

Action: Secretary to the Committees to update the Terms of Reference in line with the Board's decision.

Item 5

Good Governance: External Auditor – Topic for 2013 Value for Money Report

5.1 MK reported that the Audit Committee had discussed the shortlisted topics for the value for money report of the external auditor of the NAO and had recommended that the review should address Management Information. She invited the Board to agree this recommendation, subject to any comments members have. The Board agreed the recommended subject of the study, and discussed the need for the NAO Board to consider its own management information requirements in parallel to the auditor's review.

Action: MW to work with Board members to agree management information and risk reporting requirements.

Item 6

Good Governance: Business Report and Quarter 2 Risk Report

Business Report

6.1 JR introduced the Business Report, and reported that action had been taken successfully to address previous concerns regarding the NAO's budget. He reported that these actions included work with Directors to identify opportunities to use NAO staff rather than outsourcing supporting the release of centrally held outsourcing budgets, and the generation of additional income through further sub-letting of the NAO's London building. The Board noted the update, and confirmed that it was content that there were no further issues or concerns at this stage in the financial year.

Risk Report

6.2 The Board received and noted the risk report.

Mid-Year Performance Review

6.3 The Board received and noted the review of the NAO's performance against its externally reported performance measures.

Item 7

Support and Advice: NAO Strategy 2013-14 to 2015-16

NAO Strategy

7.1 MB introduced the draft strategy noting that it reflected both the tone and substance of the Board's discussions at the strategy day held in September, and he invited the Board's comments. The Board noted the quality of the draft strategy, and the key points of the discussion included:

- the presentation of the NAO's resource requirement for the period of the strategy, which distinguished between those resources required for the NAO's continuing responsibilities and those which would be used in support of new responsibilities for the NAO under the revised arrangements for local government audit. The Board discussed whether this distinction continued to be relevant, and agreed that it remained appropriate to present the NAO's resource requirement in this way while the new arrangements were still subject to the passage of legislation;
- plans to further improve the NAO's own operations and support further reductions in its resource requirement. The Board agreed that this would require more than simply identifying further efficiencies, and that the strategy should indicate more clearly the planned review which would identify options to transform the ways in which the NAO worked;
- the planned approach to this review, including the need to develop a clear timescale for action to ensure that early indications of the impacts of the indicated resource reductions and the ways in which the NAO would respond;

7.2 Board members also provided a number of specific drafting points. MB thanked the Board, and agreed that a final draft of the strategy would be provided to members for approval by correspondence, prior to its submission to the Public Accounts Commission.

Action: MB to provide a final draft of the strategy for consideration and agreement via correspondence.

Resourcing

- 7.3 MW presented a paper providing further detail in support of the resource assumptions contained within the strategy, and invited the Board's comments and agreement to the recommendation that the NAO indicate a further reduction in resource requirement of 2% in each of the second and third years of the strategy. The Board queried the assumptions regarding reduction in the planned numbers of trainees recruited by the NAO in future years, and sought further information as to the proposed reduction. MW reported that this reflected a reduced requirement for trainee staff, due to changes in the NAO's financial audit approach, a reduction in the total number of public bodies that the NAO was required to audit, and greater retention of trainees post-qualification.
- 7.4 The Board agreed the proposed resource requirements, which would be included in the strategy.

Item 8

Any Other Business

- 8.1 The Board received the half-year management accounts for information. The Board agreed, following the discussion at 4.2, that it would be useful to receive these accounts every six months, but emphasised that it would be useful to consider what further management information the Board should receive.

Ruth Brutnall

November 2012