



National Audit Office

**The Board**  
**2nd Meeting**  
**22 September 2009**

**Minutes**

Our vision is to help the nation spend wisely.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of

Commons. He is the head of the National Audit Office which employs some 900 staff.

He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

Our work leads to savings and other efficiency gains worth many millions of pounds: at least £9 for every £1 spent running the Office.

# Present

## Members

Andrew Likierman	AL	Chair – Non-Executive Member
Ruth Evans	RE	Non-Executive Member
Mary Keegan	MK	Non-Executive Member
Richard Fleck	RF	Non-Executive Member
Amyas Morse	AM	Comptroller and Auditor General (C&AG)
Michael Whitehouse	MW	Chief Operating Officer
Gabrielle Cohen	GC	Assistant Auditor General
Ed Humpherson	EH	Assistant Auditor General

## Attendees

Pat Pattison	PP	Board Secretary
Julian Wood	JW	Director
Jim Rickleton	JR	Director General Finance and Commerce (Items 4 and 5)

## Item 1

### Apologies for Absence

1.1 There were none.

## Item 2

### Declarations of Interest

2.1 There were none.

## Item 3

### Minutes, Action Points and Matters Arising

#### 3.1 Minutes

The Minutes of the meeting held on 17 July 2009 were approved.

#### 3.2 Action Points

Action Point B/8.2/07.09/AM - Introduction of Non-Executive Members to Stakeholders

AM informed the meeting that he is expanding his network of senior contacts in Parliament and it would be helpful if the Non-Executive Members of the Board would consider any similar contacts that they felt that it would be useful for AM to engage with, in order to develop further contacts and relationships. This would enable to AM to deliver key messages about the NAO and provide a useful vehicle for feed-back (either through AM or feedback that the Non-Executive

B/8.2/07.09/

NEMs

Members receive) in relation to the perception of the NAO.

### 3.3 **Matters Arising**

There were none.

## **Item 4**

### **NAO Strategy 2010 - 2011**

#### 4.1 **Strategy Paper**

JW presented a paper entitled 'Outline Strategy 2010 – 2013' and explained that this paper was prepared for internal use and was to draw together and record as a summary, the NAO strategy following comments on presentations made to the Non-Executive Members at the Strategy Day held on 15 September 2009.

#### 4.2 **NAO Strategy 2010-11 to 2012-13 (The “TPAC Submission”)**

JW presented a second paper entitled 'NAO Strategy 2010-11 to 2012-13' which formed the basis for the draft submission in relation to strategy and funding that was to be presented to the Public Accounts Commission. He explained further, that this document had been prepared to update the previous Corporate Plan and set out an exposition of the NAO's activities in a form which was more familiar to the Public Accounts Commission.

The Board discussed the following:

- The Strategy Paper would form the basis of a detailed Business Plan which would explain the use of resources in more detail than the TPAC Submission.
- The ability to influence positively influence government to drive change would of necessity, be a gradual process based on the foundations of audit, a culture of measurement and evidence-based evaluation which should enable the NAO to

bring greater influence to bear on a wide range of issues at macro-levels, as credibility increased.

- The need for more focus on the difficulties that cross-governmental issues, raised which require investigation of complex delivery chains through value for money assessments. There was a need to examine these issues and explain how these would be dealt with in the strategy.
- The new governance and leadership changes at the NAO should be given greater focus, highlighting that AM has been newly appointed as the C&AG and has developed a newly constituted Leadership Team and Board all of which are making a difference to the NAO. Further, that this is the first TPAC Submission that has been presented by AM and AL
- The NAO would need to address holding Parliament to account in light of recent events. AM explained the proposed basis of the NAO audit of Parliament going forward.
- The TPAC submission would benefit from more external focus and, in general, strategy documents should focus on the broad framework within which the NAO functions.
- There could be greater clarity in defining whether the benefit of the work of the NAO is primarily for the citizen, the consumer, the taxpayer or other beneficiaries. If it intended that the work of the NAO is simply to benefit the taxpayer, then this could be made clearer.
- The justification for the 2% increase in funding could be more clearly stated. Whilst the TPAC Submission identifies that there is a lot more work to be done, clearer argumentation was needed to support the increase. There is an ambitious plan of work to deliver and the 2% increase represented a prudent compromise to ensure that the plan of work (both statutory and non-statutory) can be delivered. It was agreed that TPAC Submission would be reviewed again to review the

funding bid and, as necessary, expand upon the justification for the proposed increase in funding

- The slight increase in the level of funding should ensure that the primary duty of the NAO in scrutinising and holding the Parliamentary Executive to account, can be met without reducing the quality of the work product
- The review of the TPAC Submission should look at breaking-down the constituent parts of the funding bid, making the arguments more forceful and demonstrating that, in real terms, this is a reduction in funding from the previous year.

**It was decided that:**

(1) The Strategy Paper should be reviewed for the Board Chairman to approve on behalf of the Non-Executive Members, and with the C&AG.

(2) The TPAC Submission should be reviewed carefully again with any potential challenges from TPAC in mind and further justification for the proposed increase in funding. This document will then be sent to AL who will liaise with the other Non-Executive Members as necessary and bring final comments back to the Executive Members, as soon as possible.

B/4.1/09.09/

EMs

B/4.2/09.09/

EMs -review

NEMs - input

## Item 5

### Business Report

JR presented the 'Business Report 2009-10 - Period ended 31 August 2009' and indicated that he would welcome the Board's view on the presentation of information in the report as the report was a 'work-in-progress' and this was the first occasion that the Business Report had been placed before the Board.

## 5.1 Presentation of Information in the Business Report

The Board commented that:

- The Report was understandable in its present form and there was the right level of underlying data. An explanation of the graphs and where the information originated from, would be useful
- There was a need to flag-up trends
- Whilst the RAG (red, amber and green) colour indicators were useful, commentary explaining why certain issues were marked-up as high, medium and low priority would be useful, particularly, in relation to the high priority (red) areas.

## 5.2 Issues of Substance in the Business Report

The Board was informed that the priority areas that required immediate scrutiny were:

- The need to translate corporate efficiency into individual management efficiency which was being explored B/5.1/09.09/JR
- Financial audit fee recovery in line with costs – there is an issue with under-recovery of time-costs expended and this is being reviewed B/5.2/09.09/JR
- Value for Money study speed – there is a need to drive Directors towards achieving efficiency. B/5.3/09.09/JR

**It was agreed that:**

- (1) The issues raised in relation to data quality in the Business Report be placed on the agenda of the first meeting of the Audit Committee. B/5.4/09.09.JW



## Item 6

### Appointment of an External Auditor

6.1 PP presented a paper entitled 'The Appointment of an External Auditor'. The two options before the Board were:

- To recommend the retention of the audit services of Tenon for one further year, until 31 May 2011 to the Public Accounts Commission, or
- To recommend that a new external auditor be appointed with effect from 1 June 2010.

#### It was resolved that:

(1) In light of Tenon's

- depth of understanding of the business of the NAO
- satisfactory work performance
- insightful work in relation to Value for Money and other impacts

It be recommended to the Public Accounts Commission that the contract with Tenon as Auditor of the NAO be extended until 31 May 2011.

## Item 7

### Update from the C&AG

7.1 AM reported that:

- **Strategy** - there is to be a significant meeting with NAO

Directors to re-align the expectations of the Directors to the NAO and vice versa which will then flow down from the Leadership Team to the entire staff of the NAO

- **Parliamentary contacts** - A number of meetings had been arranged with Permanent Under-Secretaries of various government departments including the Department of Transport. Useful contacts are also being maintained with the Treasury
- **Analysis papers** - a number of analysis papers were being developed (for example, the key dynamics of PFI) which should flag-up the analytical and independent nature of the NAO
- **Government Departments** - the clear signs from the last audit season demonstrate that the NAO has identified weaknesses and has been robust in its Departmental audit work during the last Parliamentary year
- **Simon Lacey** - the Board expressed its sadness in hearing the news of Simon's death, who had intended to retire from the NAO shortly. The Board Members extended their condolences to his family and colleagues at the NAO
- **Caroline Mawhood** - the Board extended its warmest thanks for the service and valued contribution that Caroline has provided during her years of service at the NAO and expressed the Members best wishes for a long and happy retirement.

## Item 8

### Matters arising

#### 8.1 Constitutional Documents

The Board considered the proposed amendments and any further

amendments to the following documents:

- a. Draft Code of Practice dealing with the relationship between the C&AG and the NAO
- b. Draft Code of Conduct for the Board and Committees
- c. Draft Standing Orders for the Board
- d. Draft Terms of Reference for the Board
- e. Draft Schedule of Matters Reserved for the Board
- f. Draft Terms of Reference for the Audit Committee
- g. Draft Terms of Reference for the Remuneration Committee

**It was resolved that :**

- (1) The amended constitutional documents be and are hereby approved.

### **Appointments**

#### **8.2 Senior Independent Member**

**It was resolved that:**

- (1) The Senior Independent Member be authorised to act in place of the Chair in cases of extreme emergency, and
- (2) Richard Fleck be and is hereby appointed as the Senior Independent Member.

#### **8.3 Chair of the Audit Committee**

**It was resolved that:**

- (1) Mary Keegan be and is hereby appointed as the Chair of the Audit Committee.

#### **Chair of the Remuneration Committee**

#### **8.4 It was resolved that:**

- (1) Ruth Evans be and is hereby appointed as the Chair of the Remuneration Committee.

#### **8.5 Board Secretary**

**It was resolved that:**

- (1) Julian Wood be and is hereby appointed as the Board Secretary.

### **Board Committees**

- 8.6 **The Board decided** that there were no Committees in addition to the Audit and Remuneration Committees of the Board that were required at this time.

## **Item 9**

### **Any Other Business**

#### **9.1 Independent Performance Assessments of Regional Development Agencies**

AM reported to the Board that:

- The NAO had been invited to undertake work in relation to the second Independent Performance Assessment of the Regional Development Agencies (“RDAs”), the first of which was undertaken four years ago

[Some text has been redacted from this item under the Freedom of Information Act 2000, section 43 – prejudice to commercial interests.]

#### **It was resolved that:**

- (1) The C&AG/NAO undertake the Independent Performance Assessment of the Regional Development Authorities on the basis that the C&AG shall be entitled to impose such conditions as he shall see fit in relation to taking on this work.

#### **Auditing the British Broadcasting Corporation (“BBC”)**

- AM reported that being appointed as the Auditor for the BBC was a matter under consideration as this would assist in relation to the access rights which the NAO required in order to carry out Value for Money studies for the BBC. However, this possible appointment was in the very early stages and further information would be provided as developments occurred.

9.2 **Resignation of Joe Pilling**

- The Board was informed that the advertising process to replace this former Non-Executive Member would be commenced shortly.

**Press coverage regarding the Abolition of the NAO**

- GC reported that there had been some press coverage regarding a merger between the NAO and the Audit Commission and a summary of this would be produced and distributed.

9.3

**Audit Committee**

B/9.3/09.09/JW

- A date would be set shortly for the first meeting of the Audit Committee in liaison with the Chair and other Non-Executive Members.

9.4

B/9.4/09.09/GC

9.5

B/9.5/09.09/JW

## Item 10

### Date and time of next meeting

- 10.1 The next meeting of the Board will be held on Tuesday, 27 October 2009 at 1.30pm.

### Pat Pattison

Secretary to the Board

22 September 2009

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**Chair**