

## NMO AUDIT COMMITTEE MEETING

2013 meeting number: 2 of 3

**DATE** : Monday 20<sup>th</sup> May 2013

**TIME** : 10:30am

**VENUE** : NMO, Room G18, Stanton Avenue, Teddington, TW11 0JZ

**PRESENT** : Alan Proctor [AP] Chair, Non Executive Committee Member  
Peter Cowley [PC] Non Executive Committee Member

**IN ATTENDANCE** : Thomas Brown [TB] Finance, BIS  
Elizabeth Francis [EF] NAO  
Paul Sherman [PS] IA, BIS  
Lavina Hinz [LH] IA, BIS  
Sarah Glasspool [SMG] Director of Finance, NMO  
Peter Sayce [PFHS] Secretariat, NMO

### Item 1 - Apologies for Absences/Substitutions/Introductions

- Apologies had been received from:
  - Peter Mason, Chief Executive, NMO.
  - Dean Parker, NAO.
- Tan Wah Ip, Financial Accountant [NMO], attended as an observer.

### Item 2 - Approval of today's agenda

Agenda approved as presented, but **AP** explained that he may alter the running order of one or two items.

### Item 3 - Declarations of conflicts of interest

No conflicts of interest were declared.

### Item 4 - Minutes of previous meeting of 29/01/13

The AC minutes of the 29<sup>th</sup> January 2013 were approved by the committee.

### Item 5 - Table of Actions arising from minutes of the last meeting

- **Action 1** [David Barrett and SMG – To produce a policy paper on succession planning].  
**An agenda item.**
- **Action 3** [PFHS – Audit Progress/Tracking table. To be updated and circulated to AC before next AC meeting]. **PFHS** explained that the document had been circulated to the AC prior to the AC meeting. He referred to the issues highlighted and explained that PEM was aware of these issues and was comfortable that matters were in hand.  
**Closed.**
- **Action 4** [PS – HMT were updating the Orange book. IA to ensure that NMO had Executive input at the drafting stages]. **PS** explained that IA would make sure BIS/NMO had input. **Closed.**
- **Action 5** [SMG/David Barrett - To circulate to staff fraud and whistle blowing policy papers]. **SMG** explained that these documents were not circulated to staff as BIS HR were making significant changes in these areas and NMO's policies would need to be aligned to them. This was work in progress and had been hoped that NMO would be in a position to circulate these documents before the next AC meeting. **[Action 2, SMG/David Barrett].**

- **Action 6** [PEM – to arrange offline meeting about NPL Project's impact on business activities of NMO & NPL. To attend: AP, PC, BIS IA, JWC's team and PEM]. **PFHS** explained that he had spoken to PEM about this action as PEM would not be in attendance. PEM took the view that it would be premature to hold such a meeting as the project had not been sufficiently developed to allow for a focussed discussion on these key areas. **AP** explained that the new structure was not known yet, but the Project Board was on course in this area. To stay as an action point. **[Action 3, PEM]**.
- **Action 7** [AC to review draft of own performance. Comments to SMG]. **AP** explained that the review had taken place. **Closed**.

#### **Item 6 - Update on key risks**

**SMG** referred to the Risk Register and in particular FIN 5. A recent financial control issue had come to light and would be discussed with IA after the meeting. The probability of CE 11 had been reduced due to a high number of quality applicants for posts. **AP** asked how many posts needed filling. **SMG** said the figure had been about 3 to 5. EST 1, the IT disaster recovery exercise had been completed successfully. FIN 3, IT support had been reduced due to a member of staff resigning. A replacement was being considered. The probability of C&D 1 had increased due to possible increased delay in NPL Project. **AP** commented that PC had been pleased at how effective the Gateway Review had been. **SMG** said that with regard UTILS 1, NMO were in a better position to support OFGEM as new staff had been recruited. **SMG** went through the logs of changes. **PS** commented that IA had included work for the Certification Team in the 2013/14 work programme, stating that there was a risk although removed from Agency Risk Register. Its removal was due to the start of the new financial year. **SMG** said that this was a difficult year and the economic climate was not helping NMO or its clients **PS** said that it was important that NMO recovered full economic costs as failure to achieve this would have had an impact on NMO. **SMG** explained that Certification had restructured their teams in order to improve work efficiency. **SMG** said she had discussed with PEM the idea of putting the AML [Advanced Metrology Laboratory] on the Agency Risk Register and PEM agreed. **PS** said that NMO's capability to run the project should also be considered. **AP** thought it would be a good accolade for NMO should they succeed in its implementation. **AP** asked **SMG** to circulate NMO's assessment of what the risks were, for the AML project, before the next AC. **[Action 4, SMG]**.

#### **Item 7 – Report on 'Governance Statement'**

**SMG** said that the structure of the Statement was the same as last year. It covered staffing levels, the AML project and internal control. There had been new areas for this year, eg, tax.

#### **Item 8 – Approve Audit committee's Annual Report to the Steering Board**

**AP** then referred to the agenda work plan and suggested the following amendments:

- The audit Tracking Table should be reviewed at each AC meeting. **[Action 6, PFHS]**.
- A Quality item once a year in October. This would cover a single item which would benefit from AC expertise. This could be a UKAS/BIS certification audit. The idea would be for the person responsible to give a short presentation, followed by a discussion which could cover approach and risk.

**SMG** said that with regard the Quality item, she would need to obtain PEM's agreement. **[Action 7, SMG]**

#### **Item 11 – Internal Audit progress report**

**PS** explained that this was IA's report on the year's work carried out for NMO. The overall assurance opinion was rated as 'Satisfactory' – which was a top mark. IA were disappointed

that they had not completed their work plan. Difficulties in obtaining information and unplanned absences had contributed to these delays. The Procurement audit had been moved to the 13/14 work programme along with the Business Continuity and Disaster Recovery audit [not to be confused with the IT Disaster Recovery exercise]. With respect to the IT Disaster Recovery exercise, IA had expected to have been notified of this exercise and it was important that IA were notified next year.

The Records Management audit obtained a 'Green' rating, a strong control environment. Risk of Financial Loss was now engrained in NMO's financial work and Security Risks [SRMO] were well controlled. **PS** commented that NMO's Business Continuity and Disaster Recovery plans were not all up to date and IA were involved in their development. **PC** asked when the plans would be completed. **LH** explained that, coupled with the recent SRMO assurance audit, and that the plans were being developed, it was envisaged that it would be completed this year. **PS** explained that IA were in contact with Estates team who were drawing up the Business Continuity and Disaster Recovery plan.. **AP** asked how this piece of work impacted on IA's work plan for the coming year and how comfortable were IA that they had enough people to effectively carry out the work. **PS** explained that IA had discussed the work plan with PEM and SMG, taking into account the audits which had rolled forward. With regard the Corporate Governance exercise IA were pleased that IA's comments had been acted upon. However, should NMO need additional work to what had been planned, it would necessitate dropping planned work to accommodate it. **PC** asked what Risk Register items had been displaced to bring on new work. **PS** said that IA had gone through the Risk Register with PEM and SMG to create the new work plan. **PC** remarked that IA had sight of the IA programme and incremental changes and this would not generate significant extra work. This effectively made IA's work plan a living document, which was essential for a commercially oriented organisation.

#### **Item 10 – Accounting issues**

**SMG** said that the main issue related to the NPLML pension scheme. These adjustments had resulted in an increased liability in the region of £10m. However, this had been an informal valuation and a formal one was expected in the near future which should reflect the true picture... For the first time reported in NMO's accounts, we had a Financial Guarantee. This related to a loan agreement.. The lease was subsequently converted to a loan. As at 31 March 2013, NPLML owed £18m. **TB** asked if Treasury needed to be informed of this. **SMG** explained that the arrangements were tied into a Tripartite Agreement arranged via BIS and was in PEM's delegation letter. SMG also mentioned that the finance team had a temp working on the accounts as she had been heavily involved in the NPL project. This arrangement worked well.

#### **Item 12 – Review draft Annual Report and Accounts**

**SMG** said that NMO's expenditure came within budgetNext year's accounts the Teddington Estate would be re-valued by a private sector surveyor. **AP** asked the AC to submit comments to SMG who would present them at the next Steering Board. AP said that he had two comments. Statement of Financial Position in the finance report it was stated that the Estate land was valued of £9.3m, which was less than the market value as it had been assumed development would not be permitted. However, in the light of the relaxation of the rules governing planning, were these assumptions still correct? In the Forward Look emphasis should be made on what the organisation was about and less emphasis on things like 'the spending review'. NMO needed to highlight its commercial values, what we do well. This was the type of information that potential partners would be looking for when they scrutinise NMO's Annual Report and Accounts. **AP** then asked if NAO had any comments. **EF** said they would comment via their audit of NMO's accounts.

#### **Item 9 – To produce policy paper on succession planning [no paper, verbal]**

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**SMG** said that NMO had a new head of HR and his priorities was to adopt the new BIS HR policies to fit in with NMO. This was an ongoing. Producing this paper would be a complex exercise as it needed input from each Directorate setting out their succession planning needs and approach. These in turn would create the Agency wide Succession Planning model. **AP** suggested that this would be an ideal candidate for discussion with the AC [see **Action 7**].

**Item 13 – AOB**

None

**Item 14 – Date of next meeting**

Date confirmed: ???? 10:30am at NMO in Teddington.

**Table of actions:**

ACTION	ASSIGNED TO	DUE BY	DATE COMPLETED
<b>Action 2 – item 5</b> To circulate to staff fraud and whistle blowing policy papers before next AC meeting.	SMG/David Barrett	31/08/13	17/08/13
<b>Action 3 - item 5</b> To arrange offline meeting about NPL Project’s impact on business activities of NMO & NPL. To attend: AP, PC, BIS IA JWC’s team and PEM.	PEM	?	?
<b>Action 4 – item 6</b> AML Project: to circulate assessment of likely risks before next AC meeting.	SMG	31/07/13	26/07/13
<b>Action 6 – item 8</b> Audit Progress/Tracking table to be updated and circulated to AC before each AC meeting.	PFHS	Before next AC	
<b>Action 7 – item 8</b> To discuss with PEM the proposal to present a Quality item to the AC for discussion, eg, policy paper on succession planning.	SMG	31/07/13	12/07/13