



National Audit Office

Board Minutes

**Meeting held on 26 March 2024 from 10:30 to 13:00 hrs.
157-197 Buckingham Palace Road, London SW1W 9SP**

Board members		
Dame Fiona Reynolds	FR	Chair
Gaenor Bagley	GB	Non-Executive Member
Alistair Conner	AC	Non-Executive Member
Sir Martin Donnelly	MD	Non-Executive Member
Hetan Shah	HS	Non-Executive Member
Gareth Davies	GD	Comptroller and Auditor General
Abdool Kara	AK	Executive Director Local Services
Daniel Lambauer	DL	Executive Director Strategy and Resources
Rebecca Sheeran	RS	Executive Director VFM service line
Attendees		
Kate Mathers	KM	Executive Director of Financial Audit
Catherine Hope-MacLellan	CHM	Chief People Officer
Max Tse	MT	Executive Director Knowledge
Jenny Brown	JB	Parliamentary Relations manager (item 5)
Steve Corbishley	SC	Director Audit Risk and Compliance (item 5)
Adrian Jenner	AJ	Director Parliamentary Relations (item 5)
Hannah McNicholl	HMcN	Director External Relations (item 5)
James Osborne	JO	Director Audit Quality (item 3)
Sandeep Shah	SH	Senior Communications Manager (item 5)
Anna Sydorak-Tomczyk	AST	Head of Strategy (item 3)
Basma Tahir	BT	Senior HR Adviser (item 5)
Nigel Terrington	NT	Director Strategy
Helene Morpeth	HM	Head of Governance and Risk

1. Welcome and Chair's opening remarks

Welcome

- 1.1 Dame Fiona Reynolds (FR), NAO Chair, welcomed members and attendees to the meeting.

Apologies for absence

- 1.2 FR reported that apologies for absence have been received from Daniel Lambauer. FR extended the Board's gratitude for the service provided by Elaine Lewis.

Declaration of Interests

- 1.3 There were no additions or changes to declarations of interest.

2. Regular items

Approval of the January Minutes

- 2.1 The Board approved the minutes of the meeting held on 30 January 2024 as an accurate record of the meeting.

Matters arising / Action Log

- 2.2 The Board was pleased to note the approval by the Public Accounts Commission (TPAC) of the 2024-25 Estimate and, separately, the approval of the appointment of Crowe as the NAO's external auditor. FR congratulated the value for money practice for the publication of 64 outputs in 2023-24.
- 2.3 Helene Morpeth (HM) reported there were two actions on the log both of which have been completed since the last meeting. The Board agreed the deletion of the completed actions.

Comptroller and Auditor General (C&AG) update

- 2.4 The C&AG provided his update on events since the last meeting. The C&AG's update informed a discussion, amongst other things, on the continuing positive impact of the C&AG's January speech in Parliament which was leading to useful follow up meetings with key Government and external stakeholders. The Board discussed the imminent change in leadership at the Cabinet Office to follow Sir Alex Chisholm's departure.

3. Strategic Discussion

Update on the Strategic Review

- 3.1 Nigel Terrington (NT) presented the progress update on the strategic review. He reported that the evaluation, cultural conversation, and international review of our approach to environmental and sustainability are all complete. The external consultation is almost complete, and the internal consultation is due to complete by the end of April. NT commented that feed-back received to date has been positive, comprehensive, and rich in ideas. It resonates with the themes the Board has already discussed for example digital transformation, climate change, and the NAO's role in supporting accountability on cross-cutting issues. He added that we have also received feed-back on the positive advocacy role the NAO can play to support capacity building in government, to improve financial management in particular. Members held a wide-ranging discussion covering the following high-level areas:
- Value for money is broader than the 3'e's – it should also consider areas such as capability, risk, innovation. The NAO's interventions can impact positively on system wide issues.
 - Getting the most from every public pound – the C&AG's blueprint for value for money as set out in his January speech is key for the current and incoming governments in a tight spending environment.
 - Innovation will have a transformational impact in the context of an aging population and declining birth rates. Our reports have highlighted good practice in this area, and we should be bold in calling out when evidence points to lack of innovation.
 - The impact of the symbiotic relationship between the NAO and the Committee of Public Accounts is a key contributor to strong accountability.
 - The external consultations have given rise to a rich dialogue which we should continue to build on following the completion of the strategic review.
- 3.2 FR thanked members for their helpful insights. In summing up she recommended we start the process of prioritising our interventions on the outcomes that support sustained improvement in strategic areas of national interest. She added that the Board should further refine the notion of trust in public money as we consider how to articulate the NAO's purpose.

Action: NT and AST to reflect the comments of the Board in the next steps in the strategic review.

Quality First Plan

- 3.3 Kate Mathers (KM) presented the key features of the Quality First Plan (the "Plan") which is the NAO's strategic response to the Financial Reporting Council's (FRC) most recent report on our audit quality. KM commented that the Plan is intended to be comprehensive, ambitious, and realistic. The focus of the Plan is on people, culture, and behaviours. It also includes some

tactical interventions. KM reported that the Plan will be set up as a strategic project underpinned by a strong governance framework. She added that her team will take on board best practice from the successful set up and monitoring of the Audit Transformation Programme. KM invited members to comment on, and challenge, the key headlines of the Plan including its building blocks.

- 3.4 The non-executives welcomed the Plan and commented that it represents a significant improvement on the previous plan. They endorsed the diagnosis of areas requiring improvement. They added that the Plan feels comprehensive with a golden thread running through it. They agreed with the emphasis on people, teamwork, learning and development and culture. They were pleased to note the imminent appointment of a new director of learning and development. KM provided clarification on the NAO's audit methodology and James Osborne (JO) spoke to the system of quality management in response to a question of detail.
- 3.5 The non-executives suggested strengthening the Plan as follows:
- Adopt a more assertive tone throughout the Plan. Emphasise that 'best practice' is 'expected practice.'
 - The goal of the Plan is good, and necessarily ambitious in scale and scope. This will mean that its actions will need careful targeting and focus.
 - Be clearer about expectations on performance, personal accountability, and behaviours.
 - Give more emphasis to the critical role performed by the internal quality assurance function as a second line of defence.
- 3.6 KM thanked members for their constructive comments which she said will help inform the final Plan ahead of its publication in mid-April. She reported that the Board will receive regular updates on the delivery of the Plan against key performance indicators.

4. Substantial Approvals

External value for money review (VfM) on the Audit Transformation Programme (ATP)

- 4.1 The Board received the external value for money review on the ATP ahead of its submission to TPAC in time for the accountability session in the summer. The Board noted the overall conclusion from Crowe (NAO's external auditor) that the investment and ongoing expenditure committed to the ATP by the NAO represents value for money. Whilst the benefits are yet to be fully realised, the ATP has delivered its objectives in terms of the roll out of a new methodology and a new Apex software platform. The Board noted that Crowe concludes that the ATP represents an exemplar in programme delivery, and partnership working, and that management has accepted the four recommendations for continuous improvement.
- 4.2 The Board was pleased to receive the positive assurance from Crowe on this key strategic programme and approved the submission of the review to TPAC.

5. Substantial operational matters

Annual client survey

- 5.1 Hannah McNicholl (HMcN) presented the results of the 2023 survey on client feedback. She reported that the response rate of 37% was in line with the prior year and higher than most organisations surveyed by the research firm contracted for this work. She added that the results were largely positive across both value for money and financial audit, and the scores for insights were also stable and positive. The non-executives were pleased with the overall results and sought clarification on some of the lower scores which was provided by HMcN. FR recommended that we should be clearer on the NAO offer for fee-paying audited entities.

Annual MP survey

- 5.2 Adrian Jenner (AJ) presented the annual findings from the Ipsos survey of MPs which will be the last under the current Parliament. He reported that MPs continue to have an overwhelmingly

- positive perception of NAO's reputation and the quality of our products and services, and our effectiveness in supporting Parliament holding government to account.
- 5.3 The Board welcomed the results and agreed to hold a further discussion on plans for engagement with the next Parliament.

Action: HM to liaise with FR and DL / AJ on the timing for a follow up paper for the Board on engagement with Parliament.

Outline structure: 2023-24 Annual Report and Accounts

- 5.4 Nigel Terrington (NT) presented the outline structure of the 2023-24 Annual Report and Accounts (ARA) including the design concept and production timeline. He added that the ARA would be laid in Parliament at the end of June. The Board endorsed the outline structure and encouraged the drafting team to keep the report as short as possible by looking for opportunities to cut content, including some of the scene setting information about the NAO. The Board also suggested reducing the number of case studies and reviewing the balance of value for money vs financial audit examples. FR suggested including the performance framework as a standalone section within the ARA. NT noted a small number of drafting suggestions.

Outline structure: 2023-24 Transparency Report

- 5.5 Steven Corbishley presented the outline structure for the 2023-24 Transparency Report (TR) due for publication in July following agreement with the Financial Reporting Council to conclude the annual audit inspection to a tighter timeline. The non-executives welcomed the outline structure which they said focussed on the right areas.

Outline structure: 2023-24 Diversity & Inclusion annual report

- 5.6 Catherine Hope-MacLellan (CHM) presented the outline structure for the 2023-24 Diversity and Inclusion (D&I) annual report which presents our review of progress for the third year of the D&I strategy. The Board noted the strong progress overall on the D&I strategy and discussed the areas where our performance has not been on target for example the higher levels of attrition for ethnic minority colleagues compared with white colleagues, though the former has fallen over the year. The Board also noted that gender balance on the graduate programme has not been achieved. The non-executives commented that having female role models who inspire can help redress gender imbalances.

Audit Transformation Programme (ATP) update

- 5.7 Kate Mathers (KM) presented the ATP update. She reported that the programme remains rated Amber with no change from the prior update to the Board in January. She added that we have now successfully delivered three releases of the Apex system. Apex is now in widespread use (over 300 audits) and the higher priority early life issues have been addressed. KM reported that the next release will take place over the Easter weekend with Release 3 on track for deployment in the autumn.
- 5.8 The C&AG reported that he is seeing welcome productivity gains thanks to the automation of some key processes in the audit cycle. He added that the management information available from Apex is excellent. The non-executives sought assurance on the timeliness for the remaining releases which KM provided.

Performance and Risk summaries

- 5.9 The Board received the one-page performance and risk summaries to end February 2024. The Board was pleased to note the positive outlook on the Financial Impacts target subject to the satisfactory conclusion of internal and external quality reviews. The Board noted the deterioration in sickness absence figures which they commented were in line with wider societal trends. Catherine Hope-MacLellan (CHM) reported on activities underway to support performance coaches discharge their responsibilities in this complex area.

- 5.10 The non-executives commented that it may be helpful to reference the impact of sickness absence on the employment market and the wider economy, as context setting, in the next strategy.
- 5.11 Fiona Reynolds (FR) invited CHM to provide a follow up report on people engagement at the June Board meeting.

Action: CHM to provide a follow up report on people engagement at the June Board meeting.

6. Governance matters

Findings from the Board's internal self-assessment

- 6.1 FR presented the findings from the internal Board evaluation following the completion of her conversations with all members of the Board and the Executive Team. She reported that the general view is that the Board is working well and has made excellent progress on the actions for continuous improvement identified as part of the prior year evaluation. She added that the unanimous view from her conversations is that we should continue with the strategy discussions beyond the conclusion of the strategic review. In addition there is unanimous support for sufficient and timely engagement with the Board on quality issues and better feed through from Board Committees including the Audit Quality Board. The Board endorsed the actions for continuous improvement in 2024-25.

Action: FR invited NT to develop a list of future topics for strategic discussion to share with the Board.

Update from Committees

- 6.2 Gaenor Bagley (GB) reported on three approvals by the Audit and Risk Assurance Committee (ARAC) at its meeting on 6 March 2024 which have not already been discussed at today's Board: the 2023-24 accounting policies; the recommendation to increase the threshold for Board approvals of contracts from £500,000 to £750,000 and the internal audit operational plan for 2024-25. GB also referred to the limited assurance opinion on the internal audit report on 'ATP incident management' which focuses on the information security requirements following an incident noted in the testing phase of the Apex software platform. The Committee concluded this was a very specific report on information security which did not detract from the overall conclusion of the external VfM review on the ATP.
- 6.3 GB further reported on the Committee's deep dive on digital data loss which has led to a recommendation that the Board and the Executive Team should carry out a joint disaster continuity exercise. She referred to the draft minutes of the meeting for further detail on the deep dive and other matters considered by the Committee.
- 6.4 The Board agreed the Committee's recommendation to increase the Board threshold for approvals and, separately, to carry out a joint disaster continuity exercise with the Executive Team.
- Action: HM to liaise with DL and FR to agree a date for the disaster continuity exercise.**
- 6.5 GB reported that the AQB meeting held on 19 January 2024 had considered and commented on an early draft of the Quality First Plan including the new governance arrangements to support and strengthen the focus on audit quality. AQB had also discussed Audit Quality Indicators and how to use these more effectively to track performance and 'tell a story.' She referred to the draft minutes for further detail on other matters considered by AQB.
- 6.6 Sir Martin Donnelly (MD) reported that the Remuneration and Nominations Committee meeting held on 7 March 2024 was pleased to note the conclusion of the corporate services pay review. He added that the Committee has advised CHM on the people priorities for 2024-25 and looks forward to meeting the recently appointed Head of Trainee Experience at its autumn meeting. MD reported the approval by the Committee of the C&AG's recommendation for the remuneration of each Executive Director in 2024-25 and the revalorised figures for 2024-25 for

the three pay levels in the Executive Director pay framework. He referred to the draft minutes for further detail on other matters considered by the Committee.

Review of the Board's terms of reference

6.7 HM presented the proposed updates to the Board's terms of reference. She reported the main updates were necessary to align the terms of reference with the updated Code of Practice between the C&AG and the Board. Other proposed amendments reflected the change in Board practice since the last review of the terms of reference in March 2021.

6.8 The Board agreed the proposed update to its terms of reference.

Executive Director appointment to the Board

6.9 The Board noted the approval of the appointment to the Board in 2024-25 of Catherine Hope-MacLellan, Daniel Lambauer and Kate Mathers by the non-Executive members.

AOB

6.10 FR invited comments on the meeting. The C&AG and Kate Mathers thanked the non-executives for their helpful and constructive challenge to the Quality First Plan. Members and attendees said the Board had spent its time on the right topics and commented on the ongoing added value of the strategic discussions.

6.11 Members noted the Q&A with staff would take place in the Auditorium at 2 pm.

7. Conclusion

Date and time of next meeting

7.1 The Board noted the next meeting will take place on 21 June 2024 in Newcastle.