



National Audit Office

Board Minutes

Meeting held on 21 June 2024 from 09:15 to 12:30 hrs.

The Spark, Drayman's Way, Newcastle Helix, Newcastle upon Tyne NE4 5DE

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
Catherine Hope-MacLellan	CHM	Chief People Officer
Daniel Lambauer	DL	Executive Director Strategy and Resources
Kate Mathers	KM	Executive Director of Financial Audit
Attendees		
Abdool Kara	AK	Executive Director Local Services
Rebecca Sheeran	RS	Executive Director VFM service line
Max Tse	MT	Executive Director Knowledge
David Betteley	DV	Senior Analyst (item 5)
Meredith Brown	MB	Head of Diversity and Inclusion (item 5)
Katie Clifford	KC	Director HR Operations
Vicky Cox	VC	Head of Facilities (item 6)
Antonia Gracie	AG	Senior Audit Manager (item 3)
Adrian Jenner	AJ	Director Parliamentary Relations (item 3)
Linda Mills	LM	Parliamentary Relations Manager (item 3)
James Osborne	JO	Director Audit Quality (item 4)
Susan Ronaldson	SR	Director Change and Audit Transformation (4)
Anna Sydorak-Tomczyk	AST	Head of Strategy (item 3)
Thomas White	TW	Senior Audit Manager (item 4)
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 annual Board meeting in Newcastle. She extended the Board's congratulations to Corinne Tanner for receiving an MBE in the King's Birthday Honours for her work on accountability, justice, diversity and inclusion. The Board also congratulated Yvonne Gallagher for being included in the shortlist of top 50 Tech Leaders in the UK.

Apologies for absence

- 1.2 FR reported that apologies for absence have been received from Catherine Hope-MacLellan and welcomed Katie Clifford who would attend the meeting in Catherine's absence.

Declaration of Interests

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

2. Regular items

Approval of the March Minutes

- 2.1 The Board approved the minutes of the meeting held on 26 March 2024 as an accurate record of the meeting.

Matters arising / Action Log

- 2.2 The Board noted the cancellation of the accountability evidence sessions with the Public Accounts Commission (TPAC) due to the dissolution of Parliament on 30 May 2024 for the general election.
- 2.3 Helene Morpeth (HM) reported there were five actions on the log of which three have been completed. The open actions are due for completion by their respective due dates. 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 covering strategic matters, engagement with Parliament before its dissolution and, separately, engagement with auditees and stakeholders. The C&AG's update informed a discussion, amongst other things, on the impact of the timing of the election on the NAO's financial audit and value for money work. The Board also discussed the potential implications on the NAO's work arising from the manifestos.

3. Strategic Discussion

Preparations for a new Parliament

- 3.1 Adrian Jenner (AJ) and Linda Mills (LM) presented progress against the NAO's plans for engaging with a new Parliament based on the more detailed Playbook previously agreed by the Board. Members noted the programme of continuous engagement including induction activity planned for new MPs, MPs' staff and members of Select Committees. The Board endorsed the overall direction of travel including the detailed plans to engage with a significant number of new MPs, the majority of whom will have limited knowledge of the NAO. The non-executives noted that this is likely to result in a dip in results in the annual MP survey however they also agreed the survey would provide an excellent baseline from which to build.
- 3.2 The Board advised the C&AG on further engagement activities he may wish to undertake drawing on the excellent feedback from and impact of his January speech to Parliament on "Getting the most from every public pound – a blueprint for value for money".
- 3.3 FR thanked AJ and LM for their excellent progress update and commented that the Board looks forward to a further discussion on working with the next Parliament at the July meeting.

Update on the Strategic Review

- 3.4 Daniel Lambauer (DL) and Anna Sydorak-Tomczyk (AST) provided an update on the Strategic Review consisting of key findings from the peer review carried out by the Norwegian Audit office on the NAO's digital capability, summary of external consultation findings, and summaries of Executive Team strategic discussions on Financial Audit, Value for Money, Communications and Engagement, People and Digital Capability. DL and AST reported that the Board will be invited to comment on an emerging high-level strategy document at the July meeting.
- 3.5 The Board welcomed the progress to date and the direction of travel. Turning to the emerging strategy document, members agreed that it should be outcomes focused; and that we should be clear about our purpose and our strategic 'anchors.' Members advised against the temptation to list a lot of activities and recommended that activities that are included should converge around the outcomes we seek. Members provided further comments as follows:
- Focus on long-term cross cutting risks to value for money, looking at the effectiveness of public spending
 - Include our international priorities

- Be clear about our scope
- Focus on further enhancing our skills and expertise so that our recommendations demonstrate deep insight and strong sector specific knowledge
- Focus on our people, continued progress on diversity and inclusion, culture, motivation and engagement
- Empower people to develop and exercise new digital skills
- Encourage innovation amongst our people backed by proportionate governance processes

3.6 FR thanked members for their constructive contributions. She recommended that the Board should agree its strategic anchors at the July meeting.

4. Substantial operational matters

Annual VFM audit quality update

- 4.1 Rebecca Sheeran (RS) presented the results of the 2023 VFM quality assessment including examples of identified good practice, areas where we can further improve and planned activity to support continuous improvement. RS reported that the overall assurance from the quality assessment regime is that we are meeting our quality standards. She reported that the detailed VFM quality scores will be included in the 2023-24 Transparency Report which the Board will consider at its July meeting.
- 4.2 The Board welcomed the update, endorsed the focus on culture and commented that embedding a quality culture is an organisational wide challenge.

Update on Quality First Plan and the Audit Transformation Programme

- 4.3 Kate Mathers (KM), Susan Ronaldson (SR) and James Osborne (JO) presented the update on the Quality First Plan following the constructive challenge of the draft Plan, by the Board, at the March meeting. KM reported that the Plan was successfully launched in April with a high level of engagement from staff. The Plan is rated amber/green which reflects the good progress made to date with our tactical interventions and starting the work needed for our longer-term plans, balanced with the challenge of delivering aspects of the technology and learning and development programmes this autumn. SR reported that we will deliver the next release of the Audit Management Platform (Apex) in time for financial audit planning in mid-October. SR added that the timetable is deliverable and we are actively managing the risk.
- 4.4 JO reported that we are nearing the end of the Financial Reporting Council (FRC) inspection cycle for 2022-23 audits. We do not expect this inspection to show a significant improvement in scores, but informal feedback from FRC is that they are seeing improvements in the quality of our files and evidence that recent investments in audit quality are delivering benefits.
- 4.5 FR thanked the team for their helpful update and responses to questions of detail from members. The Board agreed that the autumn update should include lead indicators from the hot review process to provide the Board with early sight of likely quality scores.

Action: KM to include lead indicators from hot reviews at the earliest opportunity so that the Board has early sight of likely quality scores.

Performance and Risk reports to end April 2024

- 4.6 The Board received the performance and risk reports to end April 2024 including an update on the most recent Peakon staff survey results. Katie Clifford reported on a slight decrease in the engagement score compared to January which is unsurprising and reflective of the time of the year as we go into final audit.

5. Substantial approvals

Topic for external review on the NAO in 2024-25

- 5.1 The Board discussed a paper from Crowe (the NAO's external auditor) setting out terms of reference for two possible topics for the annual external value for money review. The potential topics are on "Impact of the NAO" and "Knowledge Management and Hub Model". Gaenor Bagley reported that ARAC, at their May meeting, concluded that both topics had great merit and were likely to help new members of TPAC understand the scope and work of the NAO. The Board agreed that both topics were of interest and relevant however, on balance, recommended that Crowe should carry out a review on the investments made in the Hubs and the insights they provide. Members agreed that Knowledge Management is internally focused and of less interest to an external audience and should therefore be excluded from the terms of reference. The Board agreed it would be helpful for Crowe to start work on the review in the summer / early autumn rather than wait for the composition of TPAC to be finalised following the election which could delay matters till late autumn.

Actions: Crowe to reflect the views of the Board on the terms of reference of the 2024-25 external review. Helene Morpeth (HM) to explore with the Parliamentary team the feasibility of initiating the external review ahead of the finalisation of the composition of TPAC following the election.

2023-24 Annual Assurance Reports

- 5.2 Members received the annual assurance reports from the Audit and Risk Assurance Committee (ARAC), the Remuneration and Nominations Committee and the Director of Internal Audit and Assurance. Collectively these assurance reports inform the Board's review of the 2023-24 Annual Report and Accounts (ARA). Gaenor Bagley (GB) recommended the approval of the ARA following consideration of the report by the ARAC on 21 May 2024.
- 5.3 FR enquired about the three limited assurance opinions delivered by internal audit which is higher compared to the prior year. GB reported that ARAC has considered these reports in detail and is satisfied that appropriate action is being taken to address findings. She added that ARAC reviews progress by management in implementing the recommendations for improvement from internal audit work, via the internal audit recommendations tracker, which it receives at each of its meeting. GB added that for next year ARAC would like to see a reduction in the number of overdue actions in order to reach a good assessment of the rate of progress.

2023-24 Annual Report and Accounts (ARA)

- 5.4 David Betteley (DB) presented the 2023-24 ARA including the internal review process underpinning the report.
- 5.5 The Board thanked DB for a very clear report and welcomed the shorter report compared to prior years. Members suggested next year's report could be even shorter without compromising quality.
- 5.6 The Board approved the ARA subject to receiving, by correspondence, for information and comment by exception, a final report w/c 24 June which includes MyCSP's outstanding pension information.

Action: HM to circulate final copy of the 2023-24 ARA for approval, by exception, w/c 24 June.

2023-24 Diversity & Inclusion (D&I) annual report

- 5.7 Meredith Brown presented the near final D&I annual report. She reported that three years into our D&I strategy we have made substantial progress on gender equality. We now have equal numbers of male and female managers and the proportion of directors who are female has risen from 32% in 2021 to 43% in 2024. We expect to eliminate the remaining gender pay gap by 2027. We are also making progress on improving the representation of staff from ethnic minority backgrounds but have more to do at senior levels for which we have actions in train.
- 5.8 The non-executives welcomed the report and in particular the strong emphasis on culture. They suggested this key aspect could be further drawn out in the C&AG's introduction. In addition the

integral role of the networks in delivering our strategic outcomes could be further emphasised. Members welcomed the progress on neurodiversity and commented that NAO is demonstrating best practice in this field.

Action: HM to circulate the final designed copy of 2023-24 D&I annual report for approval by correspondence w/c 1 July.

2023-24 Modern Slavery and Human Trafficking Statement

- 5.9 Daniel Lambauer presented the 2023-24 Modern Slavery and Human Trafficking Statement which sets out the steps the Office has taken during the financial year to ensure that slavery and human trafficking is not taking place either in our supply chains or our business. He reported that the internal audit work in 2023-24 has not revealed any issues or concerns relating to instances of modern slavery and human trafficking. He added that in the next financial year the NAO's central procurement team plans to implement further checks on our existing supply chain by seeking ongoing assurance that suppliers regularly publish and keep their Modern Slavery Statements up to date.
- 5.10 The Board endorsed the publication of the 2023-24 Statement on the NAO's external website.

6. Other annual approvals

2023-24 Health and Safety and Wellbeing Annual Report

- 6.1 The Board noted the Health, Safety and Wellbeing annual report and approved the updated Health, Safety and Wellbeing policy.

2023-24 Sustainability Office Group Annual Report

- 6.2 The Board noted the Environmental annual report and approved the updated Environmental policy. The Board noted that decarbonising the Buckingham Palace Road building is a separate strategic project for which it will receive an update at the July meeting.

7. Update from Committees

Audit and Risk Assurance Committee (ARAC)

- 7.1 Gaenor Bagley (GB) referred to the recent minutes of the ARAC meeting. She reported that she provides an update on matters considered by the most recent Audit Quality Board (AQB) meeting to inform ARAC's oversight of the quality risks. In addition the Director of Internal Audit will provide an opinion on the control framework underpinning the quality risks later in the financial year drawing on existing assurances received by AQB.

Audit Quality Board (AQB)

- 7.2 GB referred to the AQB meeting held on 19 June which considered progress on the Financial Audit Assurance Programme in addition to matters discussed by the Board earlier in today's agenda.
- 7.3 FR reported the following changes in relation to membership of AQB: GB will take over the role of Chair from Janet Eilbeck who will continue as a member. In addition AQB will appoint an independent external member.

Update to Remuneration and Nominations Committee (RemCo) terms of reference

- 7.4 The Board approved two updates to RemCo's terms of reference to reflect the evolution of the Committee's practice over time.

AOB

- 7.5 FR invited comments on the meeting. Members welcomed the high-quality papers which had informed good discussions on significant strategic issues. Members also commented on the excellent facilities in the Newcastle Office.
- 7.6 Members noted that lunch followed by a Q&A with Newcastle staff would take place immediately after the Board meeting.

8. Conclusion

Date and time of next meeting

- 8.1 The Board noted the next meeting would take place on 23 July 2024 at the NAO's London Office.