



National Audit Office

Board Minutes

**Meeting held on 23 July 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
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
Claire Blackburn	CB	Lead on Net Zero project (item 5)
Steve Corbishley	SC	Director Compliance Quality Unit (items 4 & 5)
Vicky Cox	VC	Head of Facilities (item 5)
Lucy Gibling	LG	Senior Audit Manager (item 4)
Adrian Jenner	AJ	Director Parliamentary Relations (item 3)
Oyeleke Olaoye	OO	Senior Analyst, Executive Team Secretariat
James Osborne	JO	Director Audit Quality (items 4 & 5)
Susan Ronaldson	SR	Director Change and Audit Transformation (item 5)
Anna Sydorak-Tomczyk	AST	Strategic Review Project Manager (item 3)
Nigel Terrington	NT	Director of Strategy (item 3)
David Williams	DW	Head of Impacts (item 4)
Helene Morpeth	HM	Head of Governance and Risk

1. Welcome and Chair's opening remarks

Welcome

1.1 Dame Fiona Reynolds, NAO Chair, welcomed members and attendees to the meeting.

Apologies for absence

1.2 There were no apologies for absence.

Declaration of Interests

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

2. Regular items

Approval of the June Minutes

- 2.1 The Board approved the minutes of the meeting held on 21 June 2024 as an accurate record of the meeting subject to minor drafting edits.

Matters arising / Action Log

- 2.2 The Board noted the laying in Parliament of the 2023-24 NAO Annual Report and Accounts including its publication on the NAO's website.
- 2.3 Helene Morpeth reported there were six actions on the log of which four have been completed. The open actions are due for completion by their respective due dates. The Board agreed the deletion of the completed actions.

Update from the Comptroller and Auditor General (C&AG)

- 2.4 The C&AG provided his update on events since the last meeting which had included the General Election and the installation of a new Government. The Board discussed emerging government policy with a focus on potential implications for the work of the NAO.
- 2.5 The non-executives congratulated the Executive Team and staff on the effort and work involved in laying 13 VfM reports that would have been published in the June and July, at the first opportunity, following the King's Speech. Work to complete and lay before the new Parliament a large number of audits was also proceeding apace.

3. Strategic Discussion

Working with a new Parliament

- 3.1 Adrian Jenner (AJ) provided a verbal update on developments in Parliament following the outcome of the general election. He reported that more than half of the MPs elected (335 out of 650) are new members. The timetable has been announced for the nomination and election of select committee chairs, including the chair of the Committee of Public Accounts (PAC). A number of candidates were thought to be intending to compete for the post of PAC chair. AJ added that his team are implementing the Parliamentary engagement plan with new and returning MPs the contents of which he reported to the Board at their meeting in June.
- 3.2 AJ's update led to a discussion on the early signs of a change in tone and atmosphere in Parliament.

Outline 2025-2030 Strategy

- 3.3 Nigel Terrington presented the outline five-year strategy for 2025-2030 for early consideration by the Board and welcomed the Board's feedback on the articulation of why our work matters and our role and purpose. He also welcomed the Board's views on how we might best describe the outcomes we are seeking to achieve, the conditions under which they would be met, and the NAO's contributions to these outcomes.
- 3.4 The non-executives welcomed the overall framing of the strategy in particular the focus on outcomes. They added that the emerging strategy is engaging, accessible and succinct. They debated the NAO's proposed influencing objective and commented that it represents a great opportunity to mobilise our people to see the benefit that their work has on decision makers. They agreed that we should not seek to incorporate all aspects of the previous strategy in the new one, thought we should retain our net zero objectives. The non-executives provided additional comments and advice as follows.

- We should express the purpose of the NAO in a more aspirational and motivational way so that we engage our people emotionally and intellectually with the benefits of the strategy.
 - Our priority on 'Quality' should refer to quality of outcomes and be referenced alongside the NAO's independence.
 - We should emphasise the importance of communicating our assets more effectively to achieve greater influence.
 - We should include a reference to our role in promoting the value of a high-quality finance function in government.
- 3.5 The C&AG thanked the non-executives for their constructive challenge and helpful comments which the strategy team will reflect in the next iteration of the strategy for consideration and in-principle approval at the Board strategy day.

4. Substantial approvals

Proposed update to the NAO's financial impacts methodology

- 4.1 Max Tse (MT) sought the Board's approval for proposed changes to the NAO's financial impacts methodology for implementation in the 2024 reporting cycle. The proposed change would remove the requirement of audited bodies to formally agree the causality and attribution of financial impacts to the NAO. In addition, the proposal is to formalise the role of the Impact Panel as a second line of defence to ensure consistency in causation and attribution in complex cases. The Panel will be chaired by a non-executive member of the Board to ensure independent scrutiny. MT explained that the rationale for change is driven by the significant challenges experienced in reaching agreement about the proportion of a financial impact that should be attributed to the NAO. This leads to under-reporting of impacts, inconsistency in approach, disproportionate costs in repeated discussions with audited bodies and a real or perceived risk to the independence of our audit relationships.
- 4.2 Gaenor Bagley commented that the Audit and Risk Assurance Committee is aware of the difficulties around attribution of financial impacts and supports an approach that simplifies the process. She welcomed the proposed creation of an Impact Panel to ensure there is appropriate challenge and that the new approach is robust and does not lead to a bias risk. In discussion the non-executives agreed that the new methodology presented an opportunity to explore financial impacts from a broader range of departments including improving our approach to capturing and measuring the wider impacts of our work.
- 4.3 The Board approved the proposed changes to the financial impacts methodology. Fiona Reynolds thanked Martin Donnelly for agreeing to chair the Impact Panel.

2023-24 Transparency Report

- 4.4 Kate Mathers (KM) and Steve Corbishley (SC) presented the near final 2023-24 Transparency Report (TR) setting out progress on financial audit and VfM quality reviews, the outcome of these reviews and our response to findings. KM reported that we have now received the final report from the Financial Reporting Council (FRC) which shows that that we have achieved a modest improvement in the percentage of 2022-23 financial audits meeting the required standard compared to last year; however, we are still short of our target performance. She added that it is encouraging that the FRC recognize that our improvements arise to a large extent from our investments in quality. The implementation of the Quality First Plan will drive further improvement from this year onwards.

- 4.5 The non-executives commented that the report presented a fair and balanced account of audit quality. They commented that the key work the Office is undertaking to embed a consistent quality culture could be highlighted earlier in the report. The report should also make clearer that the sample of audits inspected by FRC pre-date the introduction of the Apex system and therefore does not reflect the full extent of our new improved processes.
- 4.6 The non-executives made several additional drafting comments which the TR team noted. The Board agreed that the final version of the TR should be circulated to Gaenor Bagley ahead of publication on the NAO's website.

Action: SC to circulate the final version of the TR to Gaenor Bagley ahead of publication on the NAO's website.

5. Substantial operational matters

Update on the Quality First Plan

- 5.1 Kate Mathers (KM) and Susan Ronaldson (SR) presented the progress update on the Quality First Plan and the Audit Transformation Programme (ATP). KM reported that since the last update in June the service line has been focused on 2023-24 deliverables but activities have continued in parallel on two fronts: to prepare for the roll out of the next release of technology in time for the autumn planning round and the planning for a comprehensive learning programme in the autumn informed by the results of the recent quality survey.
- 5.2 In relation to a question on service management, where the biggest current risks lie, SR updated the Board on the actions taken by the supplier to deliver improved management and technical input. SR also reported on plans to ensure that a reliable service will continue once the project implementation team has been wound down to enable the Office to continue to draw on the supplier's expertise as required. SR added that in parallel we are building internal capabilities with the identification of a few expert users of the system who can share their knowledge with the service line. The non-executives also enquired about progress on the internal quality assurance plan and KM reported that future updates will include lead indicators to help the Board to better forecast the progress towards the benefit realisation of the overall programme.

Net Zero Carbon annual report

- 5.3 Daniel Lambauer (DL) presented the 2023-24 Net Zero annual report covering our progress to achieve net zero emissions by 2029 from the NAO's estate (Scopes 1 and 2). As agreed by the Board in July 2023, we will aim to be net zero for the indirect emissions from our operations (Scope 3) as soon after 2029 as is practicable, bearing in mind this area is dependent on external factors outside the NAO's control. DL reported that the main challenge to meeting the net zero target for our estate is the decarbonisation of the London office which requires removing our reliance on gas. He added that we have engaged a specialist consultant with experience in the installation of heat pumps and other decarbonising technologies in historical buildings. The net zero team will update the Board separately on progress with this strategic programme which will require considerable future investment in resources.
- 5.4 The Board congratulated the net zero team on their comprehensive update and the excellent progress achieved to date to establish strong foundations for success within the areas in our control. The non-executives added that the NAO's commitment to net zero is demonstrable as evidenced, amongst other things, by the recent move to a sustainable and energy efficient office in Newcastle.

6. Matters to note / approve by exception

Performance and Risk reports to end June 2024

- 6.1 The Board received the performance and risk summaries to end June 2024. The C&AG reported that the annual forecast expenditure has moved to amber, from amber/green in May, indicating an overspend based on current assumptions. The C&AG explained that this was due to cost pressures from lower staff turnover and a demand-driven increase in external audit expertise sought from our framework partners. More detailed information on actions taken to address the situation will be provided at the November meeting.
- 6.2 Catherine Hope-MacLellan (CHM) reported on the actions to reduce the levels of sickness absence. The non-executives welcomed the increase in risk appetite to address some long-standing cases, including the emphasis on a process that is fair and sets clear expectations.

Terms of reference for the 2024-25 external VfM review

- 6.3 The Board approved the updated terms of reference for the external VfM review on Hubs and Insights and noted that the Clerk of the Public Accounts Commission (TPAC) has advised that the review should proceed without waiting to seek formal consent from TPAC to avoid unnecessary delays. The Board welcomed the appointment of Katy Losse to lead the recently created Hub on Environment and Climate Change to support the development of new reporting requirements in government.
- 6.4 The Board noted the fee and the provisional timetable for completion of the external VfM review.

Six monthly update on contracts awarded and tender pipeline

- 6.5 The Board noted the six-monthly update on contracts awarded including the tender timeline for future business cases requiring Board approval. Daniel Lambauer reported that Board approval will be sought, via correspondence in the early autumn, for the procurement strategy for three legal services contracts that are up for re-tendering and the extension of the current arrangements with a fourth existing provider.

Board strategy day – outline agenda

- 6.6 The Board endorsed the outline agenda for the Board strategy day in September.

7. Any other business

AOB

- 7.1 There were no additional items of business raised.
- 7.2 Fiona Reynolds invited feedback on the meeting. The Board welcomed the early sight of the 2025-2030 strategy.

8. Conclusion

Date and time of next meeting

- 8.1 The Board noted the next meeting will take place on 24 September 2024 at the NAO's London office.