



National Audit Office

Board Minutes

Meeting held on 5 November 2024 from 10:30 to 13:00
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
Kate Mathers	KM	Executive Director of Financial Audit
Rebecca Sheeran	RS	Chief Operating Officer
Attendees		
Abdool Kara	AK	Executive Director Local Services
Max Tse	MT	Executive Director Knowledge
James Comer	JC	Head of Organisation Development (item 3)
Steve Corbishley	SC	Director Quality Compliance (item 5)
James Osborne	JO	Director Audit Quality (item 5)
Susan Ronaldson	SR	Director Change and Audit Transformation (item 5)
Colin Ross	CR	Director VFM Quality Practice (item 4)
Tim Valentine	TV	Director Finance (item 5)
Tom 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 meeting. She extended a special welcome to Rebecca Sheeran, Abdool Kara and Max Tse in their respective new roles on the Executive Team. The Board noted the resignation of Daniel Lambauer as Executive Director with effect from 1 October 2024. On behalf of the Board FR thanked Daniel for his outstanding contribution to the NAO during his time in the Office.

Apologies for absence

- 1.2 FR reported that apologies for absence have been received from Alistair Conner.

Declaration of Interests

- 1.3 Sir Martin Donnelly (MD) reported that he has been appointed by the Foreign Secretary as a temporary and unpaid external expert to look at FCDO's economic capability in diplomacy. His role is part of a wider review to enhance the UK's global impact, support growth and maximise the diplomatic and development expertise in international development. The Chair and the C&AG have been consulted and they do not consider that the appointment gives rise to a conflict of interest.

2. Regular items

Approval of the July Minutes

- 2.1 The Board approved the minutes of the meeting held on 23 July 2024 as an accurate record of the meeting. The Board noted the summary notes of the Board strategy day held on 24 September 2024.

Board action Log

- 2.2 Helene Morpeth reported that there were three actions on the log of which two have been completed. The remaining open action is in progress. The Board agreed the deletion of the completed actions.

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

- 2.3 The C&AG provided his update on events since the last meeting. The C&AG's update led to a wide-ranging discussion covering amongst other things:
- The Chancellor's Autumn Budget Statement in which she stated that there will be "*greater transparency for capital spending, with robust annual reporting of financial investments based on accounts audited by the National Audit Office and made available to the Office for Budget Responsibility at every forecast.*" The Board discussed that there will be significantly more attention paid to the valuation of those assets and liabilities that now matter for the calculation of the government's headroom for borrowing. In turn this will focus on the assurance provided by NAO's audits of the relevant balance sheets. The Board welcomed the emphasis on financial rigour in government and that our financial audit work will provide independent assurance to Parliament and the global financial markets that government assets and liabilities have been valued in line with accounting standards. The Board also discussed the implications of the proposed devolution legislation which will introduce further Council reorganisation across England.
 - The Committee of Public Accounts (PAC) which has held its first meeting under the new Parliament. This follows the appointment of Sir Geoffrey Clifton-Brown as Chair by all members of the House in September and the subsequent appointment of members on 29 October. The Committee has agreed to proceed with two meetings per week. The Board noted that the Chair of the Public Accounts Commission has yet to be appointed. The appointment is expected to be announced towards the end of November.
- 2.4 The C&AG reported that he has received positive feedback from key external stakeholders on the emerging new five-year strategy. They welcome the priority areas we have identified and the focus on outcomes. He added that the programme of published VfM reports has resumed following the conference recess. The non-executives congratulated the relevant teams for the impactful reports on these, including the *Sellafield Decommissioning Programme* and *Support for children and young people with special educational needs*. The C&AG concluded by reporting that a large proportion of the outstanding audits of 2023-24 accounts are due for completion in November and virtually all accounts will have been completed by the end of December.

3. Strategic Discussion

Employee Value Proposition

- 3.1 Catherine Hope MacLellan (CHM) and James Comer (JC) presented the four principles of an effective employee value proposition (EVP) which we are trying to apply as we refine and test our draft EVP proposition ahead of a soft launch as part of the emerging five-year strategy. They added that the EVP reflects feedback received from engagement with focus groups during the summer. It will help us attract and retain top talent by providing clarity both externally and internally on the value of employees working at the NAO and on prioritising activities that will improve employee experience.
- 3.2 The non-executives endorsed the emerging EVP and welcomed the alignment with the priorities and outcomes of the emerging five-year strategy. They commented that high performing teams are an essential component of the EVP and suggested that this element is cross-cutting and should be reflected in all the EVP pillars. The non-executive also endorsed the proposed people deal and suggested that it could be further strengthened by inviting people to 'be creative and innovate'.

4. Strategic briefing

Modern Publishing Programme

- 4.1 Max Tse (MT) and Colin Ross (CR) presented the emerging Modern Publishing Programme explaining that it is a change programme to modernise how we create and publish our work. It primarily affects VfM and Hub outputs. The aim of the programme is to increase our influence by making our published work more accessible, usable and engaging for readers. This change to our published work will require us to invest in new tools and more efficient ways of working. CR outlined some of the challenges arising from the fact our reports are published in PDF only and referred to the opportunities to improve our efficiency and effectiveness.
- 4.2 The non-executives welcomed the ambitions underpinning the programme and welcomed the fact that it supports the key influencing objectives of the emerging strategy. They added that the programme presented a great opportunity to pilot the use of AI.
- 4.3 MT thanked the non-executives for their advice. He commented that further discovery work is required in particular looking at the risks and opportunities offered by potential technological solutions. A business case will be presented to the Board when the discovery phase has been completed.

5. Substantial operational matters

Update on the Quality First Plan

- 5.1 Kate Mathers (KM), James Osborne (JO), Susan Ronaldson (SR) and Steve Corbishley (SC) presented a suite of reports on audit quality including: the findings and actions arising from the Financial Reporting Council's (FRC) annual inspection report on NAO's audits covering the 2022-23 cycle of audits; the progress update on the Quality First Plan (which now incorporates the Audit Transformation Programme under the workstream 'Technology'); and an early view of Financial Audit Quality Indicators (AQI). KM reported that the FRC report shows some improvement against 2022-23 including the FRC's recognition of the C&AG's commitment to improve quality. However, it also shows that we have more to do to consistently meet the quality standards we set. KM added that the Quality First Plan, launched in April 2024, has been updated to enhance actions that will respond to FRC's findings and overall progress is good with the programme rated Amber/Green.

- 5.2 The non-executives sought assurance on a number of areas.
- Testing of journals: JO provided assurance on the actions in hand to remedy the findings from the FRC.
 - Progress with the launch of the latest update of the Apex software system: SR reported that we have gone live with the latest release of Apex, with one final release planned for the new year. She responded to questions of detail on the Apex portal which represents a small aspect of the overall functionality; however, it fundamentally changes the security model as it gives external users access.
 - Internal review process: SC set out the actions to improve the consistency and timeliness of the internal quality review process.
- 5.3 The non-executives welcomed the suite of AQIs, the aim of which is to give a snapshot in 'real time' on our progress against key targets with focus on audit quality. They commented that the suite of 17 indicators represents a rather large number; however, they recognised that they provide a good platform from which to evolve over time. The most useful lead indicators were likely to be our own internal hot reviews which were now happening much earlier.
- 5.4 Gaenor Bagley provided a verbal update on the Audit Quality Board (AQB) meeting held on 22 October 2024 which had considered a similar suite of reports to the Board but delved more deeply into assurance on technical issues. AQB had also held a constructive discussion on the hot review process and were pleased that the internal review process is progressing at pace. AQB also considered the findings from the recent Quality Surveys and welcomed the investment in the Learning and Development Programme to support audit quality improvement.

Performance and Risk updates to end September 2024

- 5.5 Rebecca Sheeran (RS) presented a summary of the financial position and explained that annual forecast expenditure is currently rated amber in the risk register. The main variances to budget are staff costs with more permanent headcount due to lower-than-expected turnover rates; and greater demand and thus cost for specialist support from audit firms to address audit quality concerns on key and complex account areas such as pensions, tax, and financial instruments. She added that extra costs are covered through audit fees where it is appropriate to do so. However, we have no mechanism to do this when additional work is carried out on departmental accounts.
- 5.6 The non-executives noted the actions in train to identify areas where budget is unlikely to be used this financial year or where work can be deferred without significant operational impact. The Board also discussed the impact on this year's budget of scaling up staffing to meet future obligations. On balance, the non-executives cautioned against seeking additional budgetary cover to manage uncertainty.
- 5.7 FR invited the Finance Team to provide a further progress on the in-year financial position at the Board meeting in December, including options on potential next steps.

Action: finance team to provide a progress report on the in year financial position at the December Board.

6. Update from Committees

- 6.1 The Board received the updates from Martin Donnelly (MD) and Gaenor Bagley (GB) in relation to the respective meetings of the Remuneration and Nominations Committee and the Audit and Risk Assurance Committee (ARAC) held in October. MD referred to the constructive and informative meeting held in private with representatives of the Trade Union. Other items considered included:

- outline pay award for 2025-26;
- findings and actions arising from the September people survey;
- update on the programme to enhance the NAO's trainee experience;
- long term non-executive succession planning; and
- C&AG update on mid-year performance of the Executive Directors (in private).

6.2 GB reported that the ARAC had welcomed the new Audit Partner from Crowe (external auditor) at their recent meeting. In addition, the Committee had considered the following items:

- an update on internal audit programme consisting of six reviews, all of which have received overall positive assurance ratings;
- revised assurance arrangements for the new approach to financial impacts;
- an update on risk management including risk briefing on Efficient Delivery of Financial Audits; and
- review of the external auditor's performance in 2023-24.

6.3 Rebecca Sheeran (RS) reported on key issues discussed at the inaugural meeting of the Project Board to decarbonise the NAO building on Buckingham Palace Road (BPR). This included an early discussion on capability and capacity to deliver this significant project, including ensuring that we are set up in accordance with good practice. FR commented she was delighted to attend the meeting which had also considered some early, potentially exciting proposals for sharing learning and technical insights with the wider community. She invited the team supporting the project to propose a reporting mechanism to the Board.

Action: HM, in consultation with the Team supporting the decarbonisation of BPR project, to consider a reporting mechanism to the Board.

7. Any other business

AOB

- 7.1 FR reported that the triannual external Board evaluation is due next financial year. She is currently exploring options and will invite the Board to discuss these in more detail when they are more firmed up.
- 7.2 FR invited feedback on the meeting. The Board commented that the agenda had struck the right balance between strategic and operational issues. They welcomed the constructive discussion on audit quality.
- 7.3 FR invited the Board to attend the crisis communications / business continuity exercise immediately following lunch.

8. Conclusion

Date and time of next meeting

- 8.1 The Board noted the next meeting will take place on 12 December 2024 at the NAO's London office.