



# National Audit Office

## Board Minutes

Meeting held on 29 January 2025 from 10:30 to 12:30

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 & 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 Value for Money Service Line
David Betteley	DB	Senior Analyst (items 3 & 4)
Steve Corbishley	SC	Director Quality Compliance (item 5)
James Osborne	JO	Director Audit Quality (item 5)
Susan Ronaldson	SR	Director Change & Audit Transformation (item 5)
Anna Sydorak-Tomczyk	AST	Lead on Strategy Review (items 3 & 4)
Nigel Terrington	NT	Director Strategy (items 1-4)
Tim Valentine	TV	Director Finance (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 Board meeting.

#### Apologies for absence

1.2 FR reported that Rebecca Sheeran would attend the meeting remotely for agenda item 3. Abdool Kara attended the meeting remotely.

#### Declaration of Interests

1.3 Hetan Shah (HS) informed the Board that, with the consent of the C&AG and FR, he has accepted the invitation to join the external challenge panel of the Department for Culture, Media and Sports (DCMS). The role of the panel is to provide independent scrutiny and advice to DCMS as part of its zero-based budgeting review process. HS confirmed that the panel has no decision-making powers.

1.4 There were no other changes or additions to declarations of interest.

## **2. Regular items**

### **Approval of the December Minutes**

2.1 The Board approved the minutes of the meeting held on 12 December 2024 as an accurate record of the meeting.

### **Board action Log**

2.2 Helene Morpeth reported that there were two actions on the log. The first action has been completed and the second is partially completed. The Board agreed the deletion of the completed action.

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

- 2.3 The C&AG provided his update on events since the last Board meeting covering strategic matters, Parliamentary engagement, financial audit matters and progress with the VFM programme. He reported that his upcoming speech in Parliament will focus on the need to tackle longstanding issues around productivity and resilience in the spending review amid ongoing challenges of rising demand for public services and stretched resources. He will also set out the virtues of effective innovation in public services, including the use of technology and a culture of fast learning, as a way to address these challenges.
- 2.4 The C&AG's update led to a wide-ranging discussion covering amongst other things the consultation on local audit reform and potential implications for the NAO. The Board also discussed the exchange of letters between Sir Jim Harra and Sir Geoffrey Clifton-Brown following the Public Accounts Committee hearing on the NAO's report on HMRC customer service and accounts and The Treasury Select Committee's (chaired by Dame Meg Hillier) critical assessment of the recently established Office for Value for Money. The C&AG reported that he and Rebecca Sheeran met last week with the new Chair and members of the Public Accounts Commission (TPAC) for an introductory meeting where they outlined the rationale for the NAO's bid for resources in the 2025-26 Estimate and the key ambitions in the new five-year strategy.
- 2.5 The Board noted the paper appended to the C&AG's update on NAO qualifications in 2023-24 including themes and trends.

## **3. Strategic Discussion**

### **Performance framework for the new 2025-2030 Strategy**

- 3.1 Nigel Terrington (NT) presented a discussion paper exploring proposals for the approach that we want to put in place to measure our progress against the objectives of the outcome based new strategy. He explained the background research that has informed the discussion paper including the engagement with external and internal stakeholders with knowledge and expertise in the field. He set out the proposed principles for guiding the approach for the elements of the new strategy. This includes building a set of improved indicators for the areas that are relatively straightforward to measure and new measures for the areas that are more challenging because our ambitions to influence change will take place in a complex environment with many other stakeholders. He reported that the new framework will be developed over the coming year and we expect to report against it in the 2025-26 Annual Report and Accounts.
- 3.2 The non-executives acknowledged that measuring performance for an outcome-based strategy is not straightforward and challenging in particular when we are one of many influences in the overall

delivery landscape. They recommended that we approach the task by looking at the 'end' outcome that we want to achieve as a starting point, and then work backwards from there. They commented that this approach then shapes the whole culture of the organization with attribution measured through a combination of qualitative case studies and quantitative data to illustrate results and impact over time. The non-executives also suggested that the Board should take stock every year of the measures to check for any improvements we may need to make in line with the theory of change model.

- 3.3 NT agreed to come back to the Board with a broader set of measures for discussion at the June meeting.

**Actions: 1. NT to come back to the Board with a broader set of measures for discussion at the June meeting. 2. Strategy Team to make time at a future Board meeting (or the Board strategy day) to take stock of the measures to check for any improvements we may need to make in line with the theory of change model**

## 4 Approvals

### 2025-2030 Strategy

- 4.1 NT presented the designed version of the 2025-2030 Strategy for the Board's approval. He reported that the document has been refined and updated to incorporate the Board's comments from the ongoing strategy review process, including the Board's strategy day, and further iterations from the Executive Team.
- 4.2 The Board commented that the strategy aptly addresses the many challenges and opportunities that the country and the government is facing and the actions that the NAO will take in the strategy period to achieve a positive impact. The non-executives commented that the statement on how public audit supports innovation is timely and highly relevant. Referring to the earlier conversation on performance measures, they added that it would be helpful to look at performance measures that support public trust at a forthcoming Board meeting. The non-executives endorsed the design of the strategy document commenting that it is well laid out.
- 4.3 FR thanked the strategy team for the excellent strategy document and for skillfully facilitating the review process. She added that the review has felt like a highly positive and collective endeavour between the executives and the non-executives. The Board approved the 2025-2030 NAO Strategy subject to a handful of small drafting and presentational points.

### 2025-26 Estimate

- 4.4 NT presented the NAO Estimate Memorandum for 2025-26 and thanked the non-executives for their helpful comments in the early formulation of the document. The Board approved the Estimate subject to minor drafting changes to the section on quality. The Board approved the schedule of NAO-approved services for 2025-26.

### Options for the external evaluation of the NAO

- 4.5 Gaenor Bagley (GB) presented two options for the topic for the annual external review on the NAO by the NAO's external auditor. The options are on the *NAO's governance* and on *Asset Management*. GB reported that the Audit and Risk Assurance Committee (ARAC) agreed both topics had great merit and were likely to be interest to the recently constituted TPAC. GB added that ARAC recommends that the topic of *Governance* should be positioned in the context of the assurances that TPAC will receive, from the external auditor, on two areas of substantial strategic investment by the NAO during the current strategy. The review would also cover the governance arrangements for audit quality and, separately, look at the process by which the Board reviews composition, skills, experience and

diversity on the Board which will provide helpful assurance to TPAC as it prepares for the appointment of two new non-executives in late 2026.

- 4.6 The Board agreed that both topics have merit. On balance *Governance* may be more relevant in view of the upcoming succession on the Board. The next step will be for FR to seek TPAC's agreement on their preferred topic for the annual review.

## **5 Substantial operational matters**

### **Update on the Quality First Plan**

- 5.1 Kate Mathers (KM) presented the update on the Quality First Plan (QFP) since the last Board meeting in December 2024 covering methodology, learning, technology and assurance. She reported that overall progress is encouraging and emerging findings from the Audit Quality Review (AQR) inspections, and our own internal reviews, are indicating a solid improvement in quality scores from prior years. As a result the Executive Team has changed the quality risk from red to red/amber. KM added that the QFP which was launched in April 2024 is now being updated with actions based on an assessment of progress and continued areas in need of change, aligned to the overall new strategy. The draft plan will be presented to the February Audit Quality Board (AQB) meeting for review and challenge.
- 5.2 Gaenor Bagley (GB) confirmed the encouraging upward tick in quality scores based on the assurances received so far whilst recognizing that the sample size for the external inspection is small and that the final scores are not yet in place. She reported that AQB will be looking in more detail at the cold and hot reviews processes at their next meeting as these cover a much larger sample of audits; and will be assessing their contribution to sustained performance improvement.
- 5.3 Alistair Conner (AC) enquired about the pilot to ensure effectiveness of the security model for the ingestion of client data on the Apex portal ahead of wider roll out to the service line in the Autumn. KM confirmed that the security model is complex hence the slight delay in the roll out to allow for ample testing of the security wrapper. She offered to provide assurance to AC on the underpinning security elements of the portal in more detail outside the Board meeting.
- 5.4 FR thanked KM and her team for the continued encouraging progress on audit quality including the positive staff engagement scores, from the financial audit community, in the recent staff survey.

### **Performance and Risk updates to end December 2024**

- 5.5 The Board received the performance and risk updates to end December 2024. Catherine Hope-MacLellan reported that sickness absence levels are coming down despite the winter flu season. The non-executives noted the positive improvement in feed-back from staff on having the right technology as reported in the January staff survey.
- 5.6 The Board noted that the risks on 'Financial Audit Quality', 'Outturn not within target' and 'Financial Impacts Target' have moved towards target since the last risk report. The C&AG reported that the current position on Financial Impacts means that we will exceed our target by a very wide margin as a result of two large one-off impacts. This is unlikely to be replicated every year.

## **6. Reports by exception / update from Committees**

### **Update from the Decarbonisation of Buckingham Palace Road (BPR) Board**

- 6.1 FR reported that the meeting held on 21 January 2025 discussed the scope and level of ambition of the project to decarbonize BPR including next steps. An important ambition was to achieve the outcome in a way that demonstrates value for money and offers a useful model for others. The next step will include commissioning an expert to assess the likely scale and cost of the project. A further update will be provided at the next meeting of the Board.
- 6.2 The Board noted the minutes of the ARAC meeting held on 4 December 2024.

#### **Annual update on the Board engagement plan**

- 6.3 Will Sharp presented progress on the annual Board and non-executive engagement plan with the wider Office. The non-executives agreed the proposed direction of travel including the proposal to invite the non-executives as guest speakers on topics relating to their respective experience and expertise.

#### **Biannual update on contracts in the pipeline requiring Board approval**

- 6.4 The Board noted the outcome of the business cases that they have previously approved and the pipeline of business cases requiring Board approval in the near future.

### **7. Any other business**

#### **AOB**

- 7.1 The Board noted the appointment by the C&AG of Mark Rhys as an independent external member of AQB with effect from 1 February 2025.
- 7.2 FR invited feedback on the meeting. The non-executives commented on the positive outcome of the meeting including the constructive discussion on the draft performance framework.

#### **Date and time of next Board meeting**

- 7.3 The Board noted that the next meeting will take place on 25 March 2025 at the NAO's London office.