



National Audit Office

Board Minutes

Meeting held on 1st November from 10:00 to 12:30 hrs.
157-197 Buckingham Palace Road, London SW1W 9SP

Members		
Dame Fiona Reynolds	FR	Chair
Gaenor Bagley	GB	Non-Executive Member
Sir Martin Donnelly	MD	Non-Executive Member
Dame Clare Tickell	CT	Non-Executive Member
<i>Vacancy</i>		
Gareth Davies	GD	Comptroller & Auditor General
Daniel Lambauer	DL	Executive Director responsible for Strategy and Resources
Kate Mathers	KM	Executive Director responsible for Financial Audit Service Line
Max Tse	MT	Executive Director response for Knowledge
Attendees		
Abdool Kara	AK	Executive Director responsible for People
Elaine Lewis	EL	Executive Director responsible for Financial Audit Quality
Rebecca Sheeran	RS	Executive Director responsible for VFM service line
George Crockford	GC	Head of Reporting (item 5)
Susan Ronaldson	SR	Director of ATP (item 5)
Nigel Terrington	NT	Director Strategy
Rebecca Webb	RW	Lead Risk Management (item 5)
Helene Morpeth	HM	Head of Governance and Risk
Observer		
Richard Cartwright	RC	Independent External Member ARAC

1. Chair's welcome

Welcome

- 1.1 Dame Fiona Reynolds, NAO Chair, welcomed members and attendees to the meeting. She extended a special welcome to Richard Cartwright, the NAO independent external member on the Audit and Risk Assurance Committee, whom she had invited to observe the meeting.

Apologies for absence

- 1.2 The Chair reported that apologies for absence had been received from Clare Tickell.

Declaration of Interests

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

2. Regular items

Approval of Minutes

- 2.1 The Board approved the minutes of the additional meeting held on 14 September 2022 to approve the supplementary estimate subject to the addition of further brief information on the rationale for the Newcastle office move.
- 2.2 The Board approved the minutes of the additional meeting held on 29 September 2022 to approve the new pay review framework effective from 1 April 2023.

Action: Helene Morpeth to update the minutes of the meeting on 14 September informed by the views of the Board

To note the summary of the Board Strategy day

- 2.3 The Board noted the summary note of the Board strategy day held on 29 September.

Action Log

- 2.4 The Board noted the status of the action log and agreed the deletion of the three completed actions. The Board noted that the remaining three actions were in hand for completion by their respective due dates.

General (C&AG) Update

- 2.5 The C&AG provided his update since the last meeting of the Board. He summarised key activities and outcomes relating to Parliamentary and external engagements; the NAO's financial audit and value for money work programmes including progress on financial audit certifications; staff engagement and support, and international engagement. He thanked the Non-Executive members for their participation in the recent Senior Leadership Conference and their contributions, in particular, to the discussion on the NAO's external context and the associated implications and opportunities for the NAO.
- 2.6 The C&AC provided some reflections on the forthcoming Autumn Statement and implications for the nation's finances; public spending; public sector efficiency challenges; and implications for the NAO's work programme. The C&AG's update provided the context for a wider strategic discussion covering amongst other things the impact of surging inflation; the rising cost of government debt; likely pay awards in 2023-24 and implications on productivity and public sector delivery capacity.
- 2.7 The C&AG concluded his update by referring to the recent positive evidence session with the Public Accounts Commission (TPAC) to discuss the NAO's performance during 2021-22. TPAC members had raised a range of questions covering the impact of the pandemic on timely financial reporting, the Audit Transformation Programme (ATP), the quality of the NAO's value for money work, staff turnover, pay, and hybrid working. The C&AG reminded members of the session later in the week with TPAC to discuss the supplementary bid request to cover the costs of the

Newcastle Office move and the session scheduled in December, to discuss the NAO's Audit Quality.

Parliamentary update

- 2.8 Adrian Jenner provided a verbal update on recent Parliamentary activity. He updated the Board on changes in membership to the Committee of Public Accounts (PAC) and reported on the positive feed-back received from PAC members on the recent 'teach in' on accounts. He also referred to the positive feed-back received from the Committee on the recently introduced short NAO briefings on qualified accounts.

3. Strategic discussion

Positioning of the NAO

- 3.1 The Chair referred to the recently held wide range of strategic discussions, including the Board strategy day, which had focused on shaping the strategic review process for the next five year strategy (2025-30) taking in to account the Board's assessment of the external environment and implications for the NAO. As a next step, she suggested that the Board should use the strategy discussions at the next three meetings to continue to reflect on three overarching issues emerging from the prior discussions. She suggested that the first of these issues should be on the NAO's positioning as an organisation and how we hold in balance our objectives to achieve impact; and what this means for our tone and style of communication.
- 3.2 The Board held a wide ranging discussion exploring ways in which the NAO could:
- Further increase our profile, and voice, to ensure that the important outcomes and insights derived from our financial audit work are better known and better understood. In this context the Board also discussed the NAO's key role in promoting good public sector management and accountability and commented that the Hubs were doing an excellent job in shining the light on good practice. They further commented that feed-back from practitioners suggested that there was great appetite for even more good practice guides.
 - Provide more synthesis on longer term systemic issues drawing on the NAO's unique cross-government perspective for example on themes such as short-termism; staff turnover; optimism bias. The Board also commented that better use of international comparisons would help the NAO's key stakeholders, such as practitioners and parliamentarians, to better understand where to learn from best practice.
 - Maximise our reach and impact through judicious use of our statutory powers.
 - Make better use of our 'convening' influence for example through annual knowledge sharing events for key stakeholders.
- 3.3 The Chair thanked members for their helpful contributions. She commented that today's discussion had many parallels with the issues raised in June when the Board had discussed "how the NAO achieves impact" however she felt that new perspectives had also been brought to light. In summing up she commented that there was an appetite from the Board for a strong, differentiated positioning of the NAO which could be more strategic and aspirational.

4. Substantial approvals

External VFM review on the NAO's HR's function

- 4.1 Gaenor Bagley reported that the Audit and Risk Assurance Committee (ARAC) had considered the external VFM review on the NAO's HR Function (including Learning & Development) at its meeting in October. She reported that the Committee was pleased with the overall conclusion from the external auditor that the on-going investment in the NAO's HR department represents value for money for the NAO. Furthermore the external review provided robust assurance that the NAO's HR function is supporting the NAO's strategic enablers of attracting, retaining and developing high performing people. She added that the Committee welcomed the

recommendations for improvement and that it looked forward, in particular, to reviewing progress on the recommendation relating to Employee Value Proposition (EVP) in due course.

- 4.2 The Board welcomed the findings from the external auditor and the recommendations for improvement. Members echoed the views of the ARAC that defining a strong EVP would support the NAO's strategic objectives of talent attraction, engagement and retention. Members suggested that the EVP should emphasise institutional purpose as this would be attractive to Generation Z candidates in particular. The Board endorsed the external review for submission to TPAC.

Financial Instruments business case

- 4.3 Kate Mathers presented the business case for creating a new Financial Instruments Framework. She reported that improving the NAO's audit of financial instruments is a key priority for the Financial Audit Service Line in response, amongst other things, to findings from the Financial Reporting Council in their review of the quality of the NAO's financial audit work. She added that the rationale for setting up a specialist financial instrument expertise framework was that it would make it much easier for NAO teams to commission, from a range of firms, timely, deep expertise and support in this complex area. She added that the framework would be led by the NAO's Financial Instruments Centre of Expertise. The Board supported the rationale for the business noting that it would also enable training and upskilling of NAO people in a complex area. The Board approved the business case.
- 4.4 The C&AG reported that the Executive Team (ET) will be looking at the benefits derived from the Office's model of contracting out audits through the framework partners. He added that the findings from the ET's review should inform a helpful discussion at the Board, at a future date, as part of the strategic review process.

5. Substantial operational matters

Update on the Audit Transformation Programme

- 5.1 Susan Ronaldson provided an update on the Audit Transformation Programme (ATP). The Board noted that the overall programme rating remained rated Amber (no change from the last update in July) and that the new methodology and tooling went live on time, in September, with positive feed-back received from participants who had attended the 'go live' events. Susan reported that the original timetable had been for the live pilots to launch in October. However the timetable has been revised following some teething problems with the supplier which have now been resolved. She added that the supplier was confident that the revised timetable was achievable to support live pilots later this autumn.
- 5.2 The Chair thanked Susan for the update. It was agreed that the Board should continue to receive regular updates at each of its meetings.

Action: Helene Morpeth to schedule in regular updates on the ATP in the Board forward calendar.

Verbal update from the Audit Quality Board

- 5.3 Gaenor Bagley provided a brief verbal update on the recent meeting of the Audit Quality Board which had considered, amongst other things, a progress report on the findings from the FRC's Audit Quality Team. The meeting had also discussed how the Office works with its framework partners for the contracted out audits. Members had also received an update on VFM quality.

Six monthly performance and risk update

- 5.4 The Board received the six monthly performance and risk reports covering data to end September. The Chair enquired about resignation levels. Daniel Lambauer reported that levels were stabilising and that the impact on delivery was being monitored carefully. Gaenor Bagley reported that ARAC had sought assurance on three emerging risks, including associated mitigating actions, at its recent meeting covering Financial Audit Quality, Delivery of Financial

Audits and New Ways of Working. The Committee had endorsed the proposed approach for reviewing the wording on the risk for Financial Audit to better reflect the lower probability of a high impact quality failure.

- 5.5 The Board commented that the level of detail provided in the six monthly update had been sufficient, and pitched at the right level, to inform the discussion.

6. Matters for the Board to note/for Information

Update from Committee Chairs

- 6.1 The Board noted the minutes of the ARAC meeting held on 4th October. Gaenor Bagley highlighted the strong external quality assessment of the internal audit function received from the external assessor. She also reported that the Committee had held early discussion on the scope for the 2023 external review. A further paper on the topic will be presented to the Committee at its December meeting ahead of consideration of the 2023 topic by the Board.
- 6.2 Martin Donnelly provided a verbal update on the issues discussed at the meeting of RemCo on 25th October. These included the review of the external pay landscape in 2023-24 to inform NAO's own pay award; the six monthly people survey update and a discussion on Generation Z's aspirations in relation to the workplace.
- 6.3 The Board noted the forward programme of work of both Committees.
- Action: Helene Morpeth to circulation the Gen Z paper considered by the Remuneration and Nominations Committee at its recent meeting.**

Update from the Chair on the current Non-Executive vacancy

- 6.4 The Chair reported that the campaign to fill the NED vacancy on the Board had closed on 30th October. Over 70 applications had been received by the closing date. The longlisting meeting would take place on 8th November followed by shortlisting on 1st December. Final panel interviews would take place on 13th December (after the meeting of the Board).

7. AoB

- 7.1 Daniel Lambauer reported that the current contract for the supply of Microsoft software (including Office 365, Azure and Cloud services) expires on 30 April 2023. The Chair agreed to seek the Board's approval of the proposed re-tender approach, via correspondence, given that the re-tender represented a continuation of services.
- Action: Helene Morpeth to circulate the proposal for the re-tender of Microsoft software, for Board approval, via correspondence.**

8 Date and time of next meeting

- 8.1 The Board noted that the next meeting would be held on 13th December 2022.