



National Audit Office

Board Minutes

**Meeting held on 30 January 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
Abdool Kara	AK	Executive Director Local Services
Daniel Lambauer	DL	Executive Director Strategy and Resources
Rebecca Sheeran	RS	Executive Director VFM service line
Attendees		
Kate Mathers	KM	Executive Director of Financial Audit
Elaine Lewis	EL	Deputy Head of Financial Audit
Catherine Hope-MacLellan	CHM	Chief People Officer
Max Tse	MT	Executive Director Knowledge
Geoff Ambler	GA	Head of Information Security Assurance (item 5)
David Betteley	DB	Senior Analyst (item 4)
Vicky Cox	VC	Head of Facilities (item 4)
Susan Ronaldson	SR	Director Audit Transformation Programme and Change Management (item 5)
Will Sharp	WS	Head of Internal Communications (item 6)
Anna Sydorak-Tomczyk	AST	Head of Strategy (item 3)
Nigel Terrington	NT	Director Strategy
Angus Waugh	AW	Director Digital Services (item 5)
Peter Wood	PW	Director Internal Audit and Assurance (item 5)
Tim Valentine	TV	Director Finance (item 3)
Helene Morpeth	HM	Head of Governance and Risk
Observers		
Dr Kathryn Chamberlain	KC	Chair Audit Wales
Adrian Crompton	AC	Auditor General Wales

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 Hetan Shah attending his first Board meeting following his appointment by the Public Accounts Commission (TPAC) as a non-executive member of the Board with effect from 25 January 2024. FR also welcomed Adrian Crompton, Auditor General Wales, and Dr Kathryn Chamberlain Chair Audit Wales.

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 December Minutes

- 2.1 The Board approved the minutes of the meeting held on 12 December 2023 as an accurate record of the meeting.

Matters arising / Action Log

- 2.2 The Board noted and welcomed the approval by TPAC of the NAO's 2023-24 Supplementary Estimate at the evidence session held on 24 January 2024.
- 2.3 Helene Morpeth (HM) reported that there were two actions on the log both of which would be completed as a result of today's meeting. The Board agreed the deletion of the completed actions.

C&AG Update

- 2.4 The C&AG provided his update on events since the last meeting of the Board. The C&AG's update informed a discussion, amongst other things, on the high-level findings from the independent review on Teesworks published on 29 January 2024. The C&AG reported that he would consider the findings and recommendations from the review and assess whether they give rise to potential further investigation by the NAO in line with our statutory remit.
- 2.5 The Board discussed the positive impact of the C&AG's recent annual speech in Parliament. The Board was pleased that the event had been so well attended by key stakeholders in Parliament, and that press and radio coverage of the speech had been so strong. It was already leading to some useful follow up meetings.
- 2.6 The Board noted the briefing on 2022-23 audit qualifications appended to the C&AG's update. Members commented that the paper was excellent and easy to engage with. Members were pleased with the general direction of travel and noted the good engagement with audited entities including the fact that audit qualifications arising from pandemic related accounting issues have either decreased or are easing. The Board agreed to receive an annual update on audit qualifications going forward.
- 2.7 The Board noted the further briefing on audits drawing on specialist support including expected cost for this support in 2023-24.

Action: HM to include an annual update on audit qualification in the Board forward programme

3. Strategic Discussion

What is Public Audit for? How do we reflect this in our strategy

- 3.1 Nigel Terrington presented a short slide deck on the role of public audit to inform a broader discussion on how to reflect this in our strategy. He summarised the emerging areas from the Board's strategic thinking to date and invited members to consider the areas that we want to emphasise in how we describe our purpose the statement of which is: "*we support Parliament in holding government to account and we help improve public services through our high-quality audits.*"
- 3.2 The Board engaged in a wide-ranging discussion on the NAO's purpose covering areas such as our role in supporting continuous learning and improvement in government, providing cross-government and system-wide perspectives that generate impact and lessons learned, our influencing role to improve evaluation and better evidence-based policy etc. The consensus to emerge from the discussion is that everything we do should support the notion that public money

is properly accounted for and spent well. Notwithstanding this, members commented that the way we describe the NAO's purpose could more strongly emphasise the outcome, and impact, achieved from our assurances to Parliament. The Board also commented that our purpose could be expressed in a way that gives stronger direction and meaning to our people. The Board agreed that we can learn from how other Supreme Audit Institutions express their top-level strategic narrative.

4. Substantial Approvals

2024-25 Strategy Update and Estimate Memorandum

- 4.1 Nigel Terrington thanked members for their constructive and helpful comments on the draft strategy update and 2024-25 Estimate Memorandum reviewed initially at the Board meeting on 12 December 2023 and subsequently revised following further comments received from members via correspondence earlier in January. He reported that the final draft document – presented for approval at today's Board – reflected all comments received from the Board.
- 4.2 The Board approved the 2024-25 Strategy update and Estimate Memorandum for submission to TPAC. The Board received the schedule of NAO approved services noting that there were some changes to the list of financial audit engagements compared to the prior year. Members noted there is currently no value for money work in the programme on a non-statutory basis and international work is separately defined in the Estimate Memorandum. The Board approved the schedule of NAO approved services in 2024-25.

Business case for the refurbishment of the Buckingham Palace Road Office

- 4.3 Daniel Lambauer (DL) presented the business case for the refurbishment of the NAO's London Office which last underwent a major refit 15 years ago. He reported that the aim of the business case is to reflect new ways of working since the pandemic by redesigning our working environment in a way which actively promotes collaboration, wellbeing, and productivity in addition to achieving increased overall attendance levels. He added that the project, if approved by the Board and subsequently by TPAC via the Estimate Memorandum, will be conducted in a way which supports our net zero carbon aims. DL added that the business case also factors in a return on investment from projected income from the rental of 55% of useable office space.
- 4.4 The Board discussed the intended benefits of the business case and whether the future configuration of the building would meet the intended outcomes, including encouraging new behaviours. The Board also discussed the commercial objectives underpinning the business case and agreed that these objectives should be more clearly drawn out. The C&AG commented that the business case should not be viewed in isolation but as an estate wide strategy which takes into account the success of the recent move to new modern and sustainable offices in Newcastle.
- 4.5 The Board approved the business case.

5. Substantial operational matters

Update on the Audit Transformation Programme (ATP)

- 5.1 Kate Mathers (KM) provided an update on the delivery of ATP including an update on progress against the business case and the plan for the realisation of benefits. KM reported that the overall programme delivery status is Amber. Whilst the programme is materially running on time and budget, the rating reflects a short delay to release 2.1 and the risk of the latter impacting release 3 which will deliver the remainder of the functionality in the autumn. KM further reported on the successful completion of the first aim of the business case which is to deliver a revision to our audit methodology to bring it in line with best practice and reflecting the findings and recommendations of the Brydon and Kingman review on audit quality and audit regulation. KM reported that the second aim of the business case is on track namely the long-term transformational change and improvement in how the NAO plans and conducts audits across the public sector so that we consistently meet audit quality and standards. KM concluded her update with a summary of progress on the planned benefits of the three investment objectives of the business case.

- 5.2 The non-executives sought assurance from management on the mitigations in place to ensure release 3 is delivered on time. Members also enquired about the status of engagement with the supplier. Gaenor Bagley (GB) reported that the Audit Quality Board (ABQ), at its recent meeting, was reassured by the direction of travel of the overall quality programme including the planned benefits relating to Audit Quality, Efficiency and Insights. GB further reported that the AQB had held a constructive discussion on the draft Quality First Plan for 2024 and welcomed the plan's strong focus on culture. In addition the AQB had considered the Financial Reporting Council (FRC) draft inspection report to the C&AG. The Board discussed the findings of the report and engagement with TPAC in anticipation of the upcoming Audit Quality evidence session.

Action: HM to circulate the FRC and the Independent Supervisors reports to the Board

Update on the Digital Service Plan

- 5.3 Daniel Lambauer (DL) presented the Digital Plan for 2023-25 which has been refreshed to cover the two final years of the current strategy. He reported that the plan reflects the transition to value driven cloud services, transformation through digital audit, the upskilling of our people and improvements in how we manage our knowledge. He reported that the plan has been reviewed by independent external experts who have provided positive assurance on the robustness of the plan including its underpinning architecture.
- 5.4 The non-executives welcomed the plan and commented that it included all the components that they would expect to see. They highlighted the positive focus on data analytics and upskilling NAO people given that most data breaches and failures to optimise the use of digital systems and tools are people led. The non-executives asked questions of detail on further people related issues, including the capacity of the Office to absorb the ambition in the plan to which DL responded. The non-executives also enquired about the level of ambition that the NAO is aiming for in this area and how we benchmark ourselves against best practice. In this context DL reported that the Norwegian Supreme Audit Office will shortly carry out a review of our digital capability to inform the strategic review.

Update on the Information Security Plan

- 5.5 Daniel Lambauer (DL) presented the Information Security Plan for 2024-25 to 2026-27 and explained that the plan provides a route map to enhance our resilience to respond to increasing threats and cyber-attacks. He outlined the seven priorities within the planning horizon, associated risk mitigating actions and resource implications. The non-executives discussed the implications of the plan on current culture and behaviours. DL provided assurance to the Board on the timeframe for supplier reviews and separately on key activities underpinning the ongoing review of the NAO's disaster recovery plan which will be presented to the Executive Team next month.
- 5.6 The Board endorsed the approach and activities set out in the Digital and Information Security Plans.

Performance and Risk summaries

- 5.7 The Board received the one-page performance and risk summaries to end December 2023 including a fuller explanation of progress on the 2023 Financial Impacts target which is currently rated at Amber.
- 5.8 Max Tse (MT) reported that the Financial Impacts target is £912 million, and our best estimate is that we may achieve £1,204 million but this is dependent on four high-value impacts being agreed by audited entities. MT added that whilst the impacts team is actively managing these impacts at present we are receiving push-back from audited entities on two of the four higher value impacts. The final outcome could therefore change rapidly as we are nearing the deadline for clearing impacts.
- 5.9 MT provided the Board with assurance on activities underway to strengthen the end-to-end impacts process such as the formation of an Impact Advisory Panel to advice on solutions for resolving clearance issues; updating of Vfm templates to identify potential impacts earlier in the

life of a VfM studies and strengthening the link between NAO recommendations and impacts. MT added that the team will soon embark on a lesson learned report to inform the 2024 impact process and a review on how impacts are cleared between the NAO and audited entities in particular the proportion of impact claimed by the NAO.

- 5.10 Fiona Reynolds thanked MT for the helpful assurances provided to the Board including steps to strengthen the future pipeline of impacts.

6. Matters for the Board to approve by exception / to note

Approval of Digital Services End User & Infrastructure Computing Contract

- 6.1 Daniel Lambauer (DL) presented the business case for the transitioning to a managed service for the NAO's End User and Infrastructure Computing capacity within Digital Services. He reported that the business case is a response, amongst other things, for the need to address growing service demand and complexity including the requirement for more frequent patching. The Board noted that the cost for the contract has been included within the existing operational plan bids for Digital Services in the 2024-25. The total contract value is in the region of £2.2 million for a contract term of up to five years therefore requiring Board approval.

- 6.2 The Board approved the business case.

Approval of the update to the terms of reference of the Audit and Risk Assurance Committee (ARAC)

- 6.3 The Board approved the proposed update to the ARAC's terms of reference to more accurately reflect the Committee's delegated responsibility for risk management.

Six monthly update on the Board engagement plan

- 6.4 The Board noted the six-monthly progress on the Board engagement plan and endorsed the future activities planned such as inviting the non-executives to share their experiences and insights via speaker events in 2024-25.

Six monthly update on contracts awarded including tender pipeline

- 6.5 The Board noted the six-monthly update on contracts awarded from July to December 2023 following approval by the Board of the associated tenders. The Board also noted the list of future tenders which will require approval in 2024-25.

AOB

- 6.6 Fiona Reynolds invited members and invited guests to provide feed-back on the meeting. Members and invited guests congratulated management on the quality of Board papers (though some were quite long) which had informed excellent discussions. They also commented on the positive and inclusive atmosphere in the meeting and added that the staff perspective was clearly evident from the papers and subsequent discussions, and this was very positive.

7. Conclusion

Date and time of next meeting

- 7.1 The Board noted that the next meeting would take place on 26 March 2024.