



# National Audit Office

## Board Minutes

**Meeting held on 25 March 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
Laura Lucking / Verity Prime	LL/VP	Executive Director Infrastructure (job share)
Max Tse	MT	Executive Director Value for Money Service Line
Jenny Brown	JB	Parliamentary Relations Manager (item 5)
Steve Corbishley	SC	Director Quality Compliance (item 5)
Sarah Dickinson	SD	Senior Audit Manager (item 4)
Lewis Knights	LK	Director Financial Audit Operations (item 4)
Ether Kwan	EK	Head of D&I (item 5)
James Osborne	JO	Director Audit Quality (item 5)
Sandeep Shah	SS	Senior Communications Manager (item 5)
Basma Tahir	BT	HR Specialist (item 5)
Nigel Terrington	NT	Director Strategy (items 1-4)
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. She extended a special welcome to Laura Lucking and Verity Prime attending their first Board meeting following their recent appointment as Executive Directors for the Infrastructure Group on a job share basis.

#### Apologies for absence

- 1.2 FR reported that there were no apologies for absence. Abdool Kara attended the meeting remotely.

## **Declaration of Interests**

- 1.3 Hetan Shah informed the Board that, with the consent of the C&AG and FR, he has accepted the invitation to join the Home Office's Safer Streets Advisory Group. The Advisory Group is part of the government's safer street mission and has no decision-making powers.
- 1.4 There were no other changes or additions to declarations of interest.

## **2. Regular items**

### **Approval of the January Minutes**

- 2.1 The Board approved the minutes of the meeting held on 29 January 2025 as an accurate record of the meeting.

### **Action log**

- 2.2 Helene Morpeth (HM) reported that there were three actions on the log: two relate to the performance framework for the new strategy, which will be discussed later, and remain open until the Board agrees on the next steps. The third action involves creating a reporting framework in due course for the Decarbonisation Board.

### **C&AG update**

- 2.3 The C&AG updated the Board on strategic matters, Parliamentary engagement, financial audits, and progress on the VFM programme since the last Board meeting. This led to a wide-ranging discussion on the following matters.
  - The launch of 2025-2030 strategy which has received positive feedback from stakeholders. Staff have showed great enthusiasm and support for our key objectives at various launch events.
  - The spending review's impact on governmental spending cuts, civil service morale and retention, the boost in the defence budget and welfare reform.
  - Preparation for the TPAC hearing on 26 March on the 2025-26 Estimate. The Board discussed the rise in new work from the nationalisation of train operating companies, leading to new audit risks and the need for specialised skills. Against this context, the Board also discussed that we may need a supplementary estimate in the autumn due to this increase in workload. If a supplementary estimate should be required, the Board agreed the need for a credible productivity narrative to justify any additional budgetary request.

## **3. Strategic Discussion**

### **Strategy next steps**

- 3.1 Nigel Terrington (NT) provided an update on the strategy launch, including the staff events that involved directors and senior managers. He explained that these events have been designed to engage staff, sustain momentum, and involve all levels of the Office. He summarised the proposed next steps for developing the performance framework informed by the discussions at the Board meeting in January. NT proposed consulting with the non-executives, in May, ahead of seeking approval of the performance framework at the June meeting. He concluded by outlining topics for future Board strategy discussions, including potential external speakers for the strategy day in September.

- 3.2 The non-executives discussed the proposed approach for consultation on the performance framework. They agreed that it is important that the Executive Team (ET) and non-executives have a shared collective understanding of the outcome measures that we will present to Parliament and other external stakeholders, to which we will hold ourselves accountable. They agreed that one-to-one consultation was preferable to a workshop, and that there would be a substantive collective discussion at the June Board meeting.
- 3.3 The non-executives endorsed the topic for the strategic discussion in July on the implications for the NAO of the Spending Review and, separately, the proposed speakers for the Board strategy day.

**Action: Nigel Terrington to arrange individual consultations with the non-executive members in May to advance the performance framework.**

## **4. Approvals**

### **External Value for Money review on Hubs and Insights**

- 4.1 Gaenor Bagley presented the views of the Audit & Risk Assurance Committee (ARAC) on the finalised external review on the NAO's Hubs and Insights carried out by the NAO's external auditor. She commented that the Committee was delighted with the overall conclusion that the investment and ongoing expenditure committed to Hubs and Insights represents value for money. Max Tse and Abdool Kara welcomed the review and the recommendations for improvement which they said related to areas that they are already addressing as part of the new strategy. They added that the recommendations are constructive, leaving ample room for exploration and iteration which aligns well with the new strategy.
- 4.2 The non-executives welcomed the review, commenting that the Hubs and the insights that they produce occupy a pivotal position within our future plans and are well-positioned to drive positive organisational progress. They added that Hub directors' strategic thinking is strong in the areas that matter the most in the new strategy.
- 4.3 The Board endorsed the submission of the external review to The Public Accounts Commission.

### **Business case for external audit services**

- 4.4 Lewis Knights (LK) updated the Board on the business case they approved in December 2023 to reduce audits contracted to supplier firms to around 15% by 2026-27. He reported that the latest analysis confirms that the original case is still sound, with no significant changes to risks. Market engagement has been positive despite price inflation. Although overall spend has increased, it is expected to be £1.5m to £2m lower annually by 2026-27 than without the business case. LK added that this will be the first major procurement under the new Procurement Act 2023 which came into force in February 2025. He invited the Board to confirm their approval of the updated business case. The C&AG commented that he was open to recruiting experts where the business case indicated this would be better value for money than buying specialist expertise from the firms.
- 4.5 The non-executives thanked LK for the clear paper and approved the proposals to proceed to market.

## **5 Substantial operational matters**

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

- 5.1 Kate Mathers (KM) provided an update on the Quality First Plan (QFP) since the last Board meeting. She reported that good progress has been achieved across all six workstream components and confirmed that all the audits selected for external review by the Financial Reporting Council (FRC) are

above the line. The next steps involve continuous embedding of audit quality and achieving consistency across all audits. KM also mentioned efficiency gains achieved due to technical tools such as Data Snipper and the Journals app. She added that the final Apex portal pilot is set for release in mid-April following further testing of the security architecture.

- 5.2 The non-executives congratulated the financial audit service line on the excellent results from the FRC's external evaluation while agreeing that there is no cause for complacency. Alistair Conner reported that he recently attended a demonstration of the portal and was reassured by the planning in place to ensure its security. He commented that when the portal has become fully operational and been scaled up, the anticipated efficiency gains in client engagement will be significant.
- 5.3 James Osborne highlighted the key features of the QFP for 2025-26 which places emphasis on continuous improvement, opportunities for consolidation, increased focus on people and culture, enhancing learning and development, and strengthening the System of Quality Management (SoQM). The Board noted the emerging findings from the cold review process.
- 5.4 The non-executives welcomed the QFP's focus for the year ahead, particularly the goal of consistent audit quality across the service line and the ongoing positive engagement with the FRC.
- 5.5 The Board noted the minutes of the Audit Quality Board (AQB) held on 18 February 2025 and the update to the AQB's terms of reference to reflect changes in recent developments, including its composition which includes more than one independent external member and some refinement to its information requests following the SoQM now in place.

#### **Client Feed annual survey / MP annual survey**

- 5.6 Hannah McNicholl summarised the results of the 2024 client feedback programme, noting a record 40% response rate. She added that feedback has been positive, with 94% of participants rating their overall relationship with the NAO as good. She provided more detailed information as follows.

##### Financial Audit

- Scores were favourable, including quality. There was no common reason for lower ratings.
- Of those who rated last year's audit poorly and were resurveyed in 2024, all but one improved their ratings. Early notification of corrective actions increased from 51% in 2023 to 65%.

##### Other Areas

- VFM scores have remained strong. Two survey questions showed improvement in clarity in communication and proactivity during the VFM study process.
  - Insights scores were positive: 64% had used NAO insight-sharing products, and 83% would recommend them. Plans are to increase their awareness and usage.
- 5.7 The Board discussed the survey results and commented that the new feedback programmes in 2025 will inform and help formulate KPIs for the 2025-2030 strategy.
  - 5.8 Adrian Jenner presented the first survey results of MPs since the 2024 election, noting the NAO's continuing strong reputation in Parliament despite high MP turnover. He highlighted improvement areas among new MPs and stated that these findings will shape the NAO's engagement plan which he will present for discussion at the June Board meeting. Ongoing communications include newsletters, reports, meetings and Library Talks.
  - 5.9 The Board discussed engagement with Select Committees and communication channels with MPs, noting that MPs prefer face-to-face interaction. The non-executives highlighted survey results that indicate key areas for the new strategy, particularly how we increase our influence through the project in train for modernising our value for money work.

## **2024-25 draft Corporate Reports**

- 5.10 FR highlighted that the following items for Board consideration relate to the suite of 2024-25 corporate reports where the Board's initial views are sought on structure and tone ahead of approval at the Board meeting in June.

### **Annual Report and Accounts (ARA)**

- 5.11 Nigel Terrington presented the outline structure for the ARA including the design concept. Rebecca Sheeran (RS) reported that the ET has discussed the most effective and proportionate way to comply with the new climate-related financial disclosure requirements for the public sector. The overall assessment is that climate-related risks are a significant component of several of our strategic or 'principal' risks. Separately Parliament is likely to have a strong interest in how climate risk and opportunities are managed due to its role in supporting government accountability on managing long-term value-for-money risks associated with this issue and because it funds much work and operations. The narrative in the ARA will make this distinction clear.
- 5.12 The Board discussed the KPIs in the ARA, noting that several have been missed; however, this is due to the ambitious goals we set ourselves and does not sufficiently differentiate between near misses (that indicate good progress in the right direction) and more significant departures from target. The supporting narrative needs to reflect this.
- 5.13 The non-executives endorsed the overall structure and tone of the ARA. They welcomed the ambition to make the report shorter than the previous year and to reduce the number of case studies. They thought the design options looked good and invited the ET to decide on the final design option.

### **Transparency Report**

- 5.14 Steve Corbishley (SC) presented the outline for the Transparency Report, due for approval by the Board in July, informed by the AQB's assurance. He proposed two reviews: one on the structure (this meeting), and another in June/July for a near-final draft.
- 5.15 The non-executives endorsed the structure and tone, noting the positive quality scores as discussed earlier in the meeting. They suggested that the Transparency Report should place greater emphasis on the 'Quality' priority in the new strategy.

### **Diversity & Inclusion annual report**

- 5.16 FR welcomed Esther Kwan (EK), the new Head of D&I. EK reported that the D&I annual report reviews the fourth year of the 2021-2025 D&I strategy, highlighting achievements and progress on the strategy's four pillars. She mentioned the ongoing consultation with staff on the next D&I strategy, which will be aligned with Office's strategic ambitions for 2025-2030 and which will include SMART objectives. The Board welcomed the focus on SMART objectives for the new D&I strategy.

**Action: NT, SC and EK to reflect the views of the Board in the next iteration of the ARA and Transparency Report.**

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

### **Performance and risk update**

- 6.1 The Board reviewed the performance and risk summaries as at end February 2025. The non-executives recognised that the KPIs for 2025-26 would be informed by the earlier discussions on the new performance framework. FR asked about sickness absence, and Catherine Hope-McLellan (CHM) confirmed that overall levels are decreasing; however, no change in risk rating is

recommended until her team have assessed the impact of the of more robust performance management measures introduced last year

### **Findings from the Board's internal evaluation**

- 6.2 FR reported that she has completed the internal evaluation of the Board's effectiveness for 2024-25, informed by discussions with all Board and ET members, except Laura and Verity due to their recent appointment. Overall, there is significant praise for the Board, its sub-Committees, and their chairs. Board dynamics are positive, with everyone contributing value in complementary ways. She added that the ET feels both challenged and supported. How we take forward the new performance framework has been discussed earlier in the meeting. Some non-executives question the Board's impact. The C&AG commented that the Board's impact can be measured by its instrumental role in developing the new strategy and its challenge contributing to the strong performance of the Office.
- 6.3 The Board agreed the proposed actions for continuous improvement in 2025-26, including allowing more time for horizon scanning on future Board agendas. FR thanked everyone for their contribution to the Board's effectiveness.

**Action: Helene Morpeth to take forward and monitor the actions for improvement in 2025-26.**

### **Update from Governance Committees**

- 6.4 The Board noted the key points from recent the ARAC and Remuneration & Nominations Committee meetings, including associated draft minutes. RS provided an update on the recent Decarbonisation Board's meeting which evaluated the procurement strategy for the project's discovery phase. FR reminded the Board that the BPR boilers are nearing the end of their useful life, hence the importance of reviewing best practices for their replacement. She added that this has the potential to serve as a model of good practice for others.

### **Appointment of Executive Directors to the Board**

- 6.5 The Board noted that the non-executives have approved the C&AG's recommendation to appoint Catherine Hope-McLellan, Rebecca Sheeran and Max Tse as executive members of the Board in 2025-26.

## **7. Any other business**

### **AOB**

- 7.1 FR invited feedback on the meeting. Laura Lucking and Verity Prime welcomed the Board's interest in engaging in forward-looking discussions which they said are beneficial to the ET. The non-executives acknowledged the C&AG's openness on audit quality matters.
- 7.2 CHM informed the Board that approval will be sought from them, by correspondence, on the business case to go to market for a new occupational health provider in preparation for the end of the contract with the current provider.

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

- 7.3 The Board noted that the next meeting will take place on 13 June 2025 at the NAO's Newcastle Office.