



## Board Minutes

**Meeting held on 16 December 2025 from 10:30 to 13:00**

**157-197 Buckingham Palace Road, London SW1W 9SP**

<b>Board members</b>		
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
Rebecca Sheeran	RS	Chief Operating Officer
Max Tse	MT	Executive Director Value for Money Service Line
<b>Attendees</b>		
Abdool Kara	AK	Executive Director Local Services
Laura Lucking	LL	Executive Director Infrastructure (job share)
Kate Mathers	KM	Executive Director of Financial Audit
Verity Prime	VP	Executive Director Infrastructure (job share)
David Betteley	DB	Strategy Lead (item 3)
Katie Clifford	KC	Director HR Operations (item 5)
Hannah McNicholl	HMcN	Director External Communications (item 3)
Lee-Anne Murray	LAM	Director VFM (item 3)
Benjamin Peters	BP	Head of External Communications (item 3)
Sade Phillips	SP	Director Finance (item 3)
Will Sharp	WS	Head of Internal Communications (item 3)
Nigel Terrington	NT	Director Strategy
Helene Morpeth	HM	Head of Governance and Risk

## 1. Welcome / Regular items

### Welcome

1.1 Dame Fiona Reynolds (FR), NAO Chair, welcomed members and attendees to the meeting.

### Apologies for absence

1.2 FR reported that there were no apologies for absence.

### Declaration of Interests

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

## **Approval of Minutes**

1.4 The Board approved the minutes of the meeting held on 4 November 2025 as an accurate record of the meeting.

## **Action Log**

1.5 The Board reviewed the seven actions on the log: they approved the deletion of three completed actions and noted two actions remained on track for completion by their respective due dates, and two actions were partially completed / not yet implemented.

## **Matters arising**

1.6 The Board noted with pleasure the approval by The Public Accounts Commission (TPAC) of the 2025-26 Supplementary Estimate and the re-appointment of Alistair Conner as a non-executive member of the Board for a final three-year term.

1.7 The Board commented on the positive engagement with TPAC including their robust oversight of the NAO's performance during 2024-25 including scrutiny of the NAO's digital resilience and an engaging session on audit quality.

## **2. C&AG update / Horizon scanning**

2.1 The C&AG (GD) updated the Board on recent operational and strategic matters covering:

- the recent meeting with Permanent Secretaries which included discussion on progress with our strategy and themes emerging from our work;
- Parliamentary engagement, covering recent sessions of the Committee of Public Accounts (PAC) and future meetings with each Parliamentary party group;
- the PAC's recent announcement that it will be launching an inquiry into aspects of The Crown Estate. The Board noted the inquiry will be based on recent correspondence from The Crown Estate relating to leases to The Royal Household/Royal Lodge, and on our work updating our 2005 report: "The Crown Estate - Property Leases with the Royal Family"; and
- the annual meeting of the UN Panel of Auditors including discussions with key stakeholders on the NAO's potential bid to join the UN Board of Auditors in 2028.

2.2 The Board held a wide-ranging discussion on key matters raised by the C&AG and noted that it would receive the business case for the UN Board of Auditors appointment at its meeting in January 2026.

2.3 The Board congratulated the team responsible for the Audit Transformation Programme on receiving the prestigious Public Finance Digital Finance Project of the Year Award. They also congratulated the team responsible for the recent report on: "An analysis of the asylum system" for producing outstanding data visualisations that clearly illustrate the current workings of the asylum process and represent an innovative 'whole system' review.

2.4 FR invited the Board to raise any other items of strategic interest. The Board discussed the current challenges facing the civil service covering:

- leadership, culture and morale;
- civil service structures;
- accountability and prioritisation; and
- impact on local delivery of public services.

- 2.5 The Board commented that the discussion had highlighted how the NAO's strategy and desired outcomes continue to be relevant and important.

### **3. Strategic discussion**

#### **NAO influencing stock take & next steps**

- 3.1 FR invited Laura Lucking (LL), Verity Prime (VP) and colleagues from the Communications Team to present the NAO's evolving influencing and communication plans to support the outcomes of the strategy. The team outlined the following.

- The goal of embedding influencing as a core part of the NAO's strategy and daily operations, aiming to empower all staff to confidently communicate and influence stakeholders. The strategy includes making influencing part of the NAO's DNA and ensuring staff can articulate the NAO's work across departments.
- The first fully integrated approach to internal and external communications, emphasising the need for consistent messaging and the value of aligning communications to build trust, value and impact. The communications roadmap also includes a focus on understanding and targeting diverse audiences more effectively.

- 3.2 The Board discussed the following.

- The importance of user research to understand the perspectives of and how different audiences consume information, with plans to use AI to personalise and scale content in various formats (audio, video, data graphics, written word). The Board also commented on the importance of tailoring communications to user preferences.
- The need to track the effectiveness of influencing and communications efforts, including the use of data graphics, video summaries, and concise messaging to reach busy stakeholders. There was agreement on the value of revisiting and following up on key themes to ensure sustained influence.
- Expanding engagement with influential external organisations such as think tanks and research institutes, recognising their role in amplifying the NAO's influence and aligning messaging for greater impact.

- 3.3 FR invited Max Tse (MT) and Lee-Anne Murray (LAM) to provide an update on the Future VFM Programme, following the Board's earlier discussion in July. MT and LAM reminded the Board that the aim of the programme is to transition the NAO's work towards a more influence driven, long-term and cross-governmental approach. The programme also focuses on empowering directors and staff to serve as influential leaders within their respective networks. MT and LAM reported that early accomplishments include the development of new-style Departmental Overviews, comprehensive analyses centred on influence, and targeted initiatives advancing productivity and innovation. MT and LAM wrapped up their update by reporting that the team is working with outside experts and incorporating new analytical techniques and AI tools.

- 3.4 The Board discussed the implications of AI and digital transformation for report production and dissemination, including the need to provide content in multiple formats and to focus on our unique analytical insights. The non-executives encouraged the team to use novel data analysis and graphics that add value beyond automated summaries.

- 3.5 FR thanked LL and VP, and the presenting teams, for outlining the opportunity to transform our NAO-wide approach, culture, and mindset. FR commented that this includes numerous ways to align how the NAO operates with the ambitions outlined in the strategy.

## **Draft 2026-27 Estimate Memorandum**

- 3.6 Rebecca Sheeran (RS) presented the draft NAO Estimate Memorandum for 2026-27 which builds on the Board's preliminary discussion at the September strategy day. She outlined the main components and rationale for the draft Estimate informed by the near completion of operational planning, including the developing understanding of changes to our audit portfolio which are expected to affect the second half of 2026-27. RS reported that further adjustments to the draft Estimate may therefore be necessary. She also reported on the anticipated cashable efficiencies as a result of plans to rent out an additional three floor areas in the London office, and reducing the intake of accountancy trainees due to ongoing benefits from recent investments in digital working practices. RS noted that the draft Estimate reflects a modest increase in the net resource requirement compared to 2025-26.
- 3.7 The Board discussed the following.
- The challenge of managing headcount in light of low staff turnover, and the need to balance capacity for peak audit periods with long-term efficiency. The Board noted mitigations included modelling low turnover, setting aside funds for voluntary exit costs, and planning for more disciplined resource allocation post-peak.
  - Investments in financial audit processes have enabled the NAO to undertake additional work without significant increases in cost. The Board noted the transition toward a more flexible allocation of audit resources, with the objective of completing 70% of audits by October and subsequently directing capacity toward other strategic priorities.
  - Risks discussed included the potential for under- or over-spending, the need to maintain credibility with Parliament, and the importance of driving internal turnover to support diversity and inclusion goals. The Board agreed to monitor these issues closely and adjust plans as needed.
- 3.8 The non-executives questioned the increase in capital spending and business support. RS explained that the increases in business support costs were attributed to investments in technology, information security and rising Microsoft licensing fees. The non-executives commented on the importance of transparency in reporting these costs and the need to monitor the impact of technology on overall efficiency.
- 3.9 The non-executives recommended enhancing the sections addressing national resilience, innovation and audit proportionality. They also offered further drafting and presentation suggestions, which were noted.
- 3.10 The non-executives endorsed the overall narrative and arguments supporting the case for the draft Estimate and noted the timetable for the next steps ahead of the formal approval of the Estimate at the Board meeting in January 2026.

**Action: draft Estimate team to reflect the comments of the Board in the next iteration of the document.**

## **4. Substantial operational matter**

### **Performance and risk updates**

- 4.1 Nigel Terrington (NT) presented the performance update with data to end October 2025 with exception of the update on financial and natural resources which reflects the approval by TPAC of the 2025-26 Supplementary Estimate on 19 November 2025. The non-executives noted progress on the externally reported performance measures and challenged the Executive Team (ET) balanced scorecard to be more explicit on KPIs relating to performance management.

**Action: NT and CHM to consider the inclusion of KPIs relating to performance management in the ET balanced scorecard.**

- 4.2 Helene Morpeth (HM) presented the risk position for the NAO's nine principal risks as at the end October 2025 and invited the Board to approve the updated risk appetite statement which now includes explicit reference to the NAO's strategy to ensure alignment between risk management and strategic priorities. The Board approved the updated risk appetite statement.
- 4.3 The Board noted that information security remains red-rated but is expected to improve by March 2026 following additional investments to enhance mitigating controls. HM added that the ET will review the risk rating on 'stakeholder relationships and influence' at their upcoming monthly meeting to ensure it properly reflects our ambition and risk appetite in this area. The ET will also review risks related to cyber resilience and operational continuity reflecting the ongoing importance of these areas in the NAO's risk profile.
- 4.4 The Board noted the status of the three strategic change programmes.
- 4.5 Kate Mathers (KM) provided a verbal update informing the Board that she had approved the amended contract for Apex to allow project closure and ongoing support to proceed. She reported that the more complex and costly Portal work has been paused to focus on finalising project closure. She added that next steps include deciding whether to reactivate the Portal or explore alternative market options given the lapse of time. The Board supported pausing the Portal to complete project closure. KM said she would provide further updates to the Board as necessary.

## **5. Item requiring Board approval**

### **Updated Diversity & Inclusion (D&I) strategy**

- 5.1 Katie Clifford (KC) presented the updated D&I strategy which replaces the current strategy which comes to an in December 2025. She added that the updated strategy focusses on diverse representation at senior levels, building inclusive behaviours and effective use of data. It is informed by comments provided by RemCo in October following their review of the developing strategy, and by endorsement from the ET in November.
- 5.2 The non-executives welcomed integrating D&I with business objectives and the clearer articulation of progress since the last strategy including areas for focussed attention in the updated strategy.
- 5.3 The Board approved the updated D&I strategy.

### **Pay gap report**

- 5.4 KC presented the pay gap report to end March 2025. The Board noted that to date we have not published data for social mobility and from this year onwards we intend to publish, on a voluntary basis, the pay gap between staff from a lower socio-economic background compared to higher socio-economic background based on parental occupation.
- 5.5 The Board noted that the average gender pay gap has continued to decline and is now below 1.5%, indicating progress toward closing the gap by 2027. Although there has been a minor increase in the median gender pay gap, partly attributable to a greater proportion of female recruits in our graduate training programme, it remains under 2.5%. Additionally, the disability pay gap has now decreased to below zero.
- 5.6 The Board endorsed the ongoing efforts to reduce ethnicity pay gaps and promote inclusivity, noting that although our mean and median ethnicity pay gaps narrowed slightly this year, they are still higher than desired and remain a key priority.

### **Code of Conduct**

- 5.7 KC presented the 2026 Code of Conduct for approval by the Board. She reported that there were no material changes to the Code with the exception to updated internal policies and external references. The Board approved the 2026 Code of Conduct.

## **6. Assurance from Committees / reports by exception**

### **Update from Committees**

- 6.1 The Board noted the minutes of the recent meeting of the Audit Quality Board (AQB). Gaenor Bagley (GB) reported that the C&AG has concluded, in his annual evaluation, that the system of quality management provides the NAO with reasonable assurance that the objectives of the system of quality management are being achieved.
- 6.2 GB provided a verbal update on key matters covered by the Audit & Risk Assurance Committee (ARAC) at its meeting on 2 December, which included consideration of the external VFM review on the NAO's governance ahead of submission to the Board next January. ARAC also approved the Audit Planning Memorandum for 2025-26 and provided feedback on the performance of the external auditor in 2024-25.
- 6.3 The Board noted the update from the Future Foundations Board previously known as the Decarbonisation Board. RS explained the rationale for the change in name which is to link the project more closely to the value for money question of how best to enhance our resilience and equip ourselves for the longer term, including by reducing our longer-term heating and cooling costs as our current gas boilers approach the end of their economic life. The non-executives commented that the vision for the project should be updated to reflect the revised and wider aims of the Board.
- 6.4 The Board noted progress with the project and welcomed the new dashboard style presentation.

**Action: Future Foundations Board team to update the vision of the project to reflect the revised aims of the Board.**

### **Update on Chair succession**

- 6.5 The Board noted that at the close of the next Chair campaign on 24 November 2025 the campaign had received applications from a strong pool of candidates from a wide range of backgrounds.

## **7. Any other business**

- 7.1 The Board noted the approval via correspondence of the procurement of the renewal of the Microsoft Enterprise Agreement.

### **Feedback on the meeting**

- 7.2 FR sought feed-back on the meeting. The Board highlighted the valuable discussion on highly relevant and topical items carried out under horizon scanning, and the very helpful joined up and collaborative presentation on NAO's influencing aims.
- 7.3 FR concluded the meeting by wishing the Board and attendees a very good break over the coming Christmas period.

### **Date of the next meeting**

- 7.4 The Board noted that the next meeting would be held on 28 January 2026.