



Board Minutes

Meeting held on 28 January 2026 from 10:30 to 13:00

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 |
| Catherine Hope-MacLellan | CHM | Chief People Officer |
| Rebecca Sheeran | RS | Chief Operating Officer |
| Max Tse | MT | Executive Director Value for Money Service Line |
| Attendees | | |
| 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 4) |
| Andy Fisher | AF | Head of International Relations (item 3) |
| Helen Maunders | HM | Business Architect (item 5) |
| Sade Phillips | SP | Director Finance (item 4) |
| Susan Ronaldson | SR | Director Change (item 5) |
| Will Sharp | WS | Head of Internal Communications (item 6) |
| 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 16 December 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.

2. C&AG update / Horizon scanning

- 2.1 The C&AG (GD) updated the Board on recent operational and strategic matters covering:
 - financial audit matters, including ongoing talks about possibly adjusting materiality levels for the regularity opinion on certain 2026-27 accounts to better reflect a cost-effective control environment leading to reduced fraud and error; and
 - parliamentary engagement and progress on the VFM programme.
- 2.2 The Board discussed the key issues raised by the C&AG. The non-executives welcomed the 2024-25 Audit Insights report noting that its case studies show accurate government accounts are essential for accountability and improving value for money and outcomes for citizens.
- 2.3 Rebecca Sheeran (RS) informed the Board about an incident where the Office's AI policy was breached, including the actions taken to reduce the related risks. The Board noted the adjustments to internal controls designed to prevent future occurrences.
- 2.4 FR invited the Board to raise any other items of strategic interest. The Board held a wide-ranging discussion covering:
 - the effects of governmental policy challenges on service delivery and performance; and
 - key strategic geopolitical risks, including the robustness of resilience plans in an uncertain world.

3. Strategic discussion

Candidacy to the UN Board of Auditors

- 3.1 GD presented a business case and risk assessment for pursuing the NAO's candidacy to the UN Board of Auditors (UNBoA) following the Board's initial discussion at its meeting in December 2025. He explained that joining the UNBoA aligns with FCDO's interests in promoting sound financial management in the UN, offers development opportunities for staff, and leverages the NAO's expertise in international public sector audit. GD outlined the proposed team structure and estimated management load, and confirmed that the appointment, should the Board agree for it to ahead, would not detract from domestic statutory duties.
- 3.2 The Board reviewed reputational, operational, health & safety, and financial risks, including the uncertain global context, possible UN agency insolvency, and the impact of the latter on UNBoA members' collective responsibility. The Board noted proposed mitigation measures for each risk.
- 3.3 RS reported that a project board will be set up to oversee preparations for the role, and stressed the importance of ongoing engagement with FCDO as the NAO's scenario planning evolves.
- 3.4 The Board endorsed the Executive Team's (ET) proposal to pursue the UNBoA appointment, with the understanding that final approval will be sought from the Board in autumn 2026, before officially requesting FCDO to nominate the NAO as a candidate.

4. Substantial approvals

Draft 2026-27 Estimate Memorandum

- 4.1 Nigel Terrington (NT) presented the draft Estimate Memorandum for 2026-27 and thanked the non-executives for their helpful comments in the early formulation of the document, including their feedback on the draft copy circulated on 22 January. He reported that all comments received have been addressed and the version before the Board has been updated to include the target for the reduction of the ethnicity pay gap by 2030. NT added that next steps, subject to the Board's approval of the Estimate, is to submit the Estimate to the Public Accounts Committee for their evidence session on 12 February, to be followed by the evidence session with the Public Accounts Commission (TPAC) on 18 March.
- 4.2 The non-executives enquired about feedback on the proposed pay award from the Trade Union. Catherine Hope-MacLellan (CHM) responded that the Trade Union, while not endorsing the pay award, were not planning to ballot against it.
- 4.3 The Board approved the 2026-27 Estimate and the schedule of NAO approved services for 2026-27.
- 4.4 FR thanked the drafting team for producing a well-written and concise Estimate document.

Findings from the external review on the NAO's governance

- 4.5 FR invited Gaenor Bagley (GB) to provide the Audit & Risk Assurance Committee's (ARAC) views on the external review on the NAO's governance carried out by Crowe, the NAO's external auditor. GB reported that ARAC welcomes Crowe's positive conclusion on the NAO's Governance, particularly their recognition of the constructive influence behavioural factors have on enabling good governance. Furthermore, the review highlights how good governance has influenced several areas, such as the co-creation of a new strategy, ongoing improvements in audit quality, and the development of a performance framework to assess the impact of the strategy.
- 4.6 GB added that the review also finds that the Chair is an outstanding leader of the Board who, together with her fellow members of the Board, models and embeds the values of the NAO. In conclusion the external review provides assurance to TPAC that the Board is meeting its responsibilities under the Budget Responsibility and National Audit Act, 2011 in an effective way.
- 4.7 The Board commented that the external review would provide a valuable and practical reference point for the next Chair and new non-executive members. The Board noted that Crowe has made no recommendations for improvement but requested comments on their observations. The Board agreed all observations and the corresponding responses from the Board and management.
- 4.8 FR thanked Helene Morpeth (HM) for her significant contribution in supporting the NAO's effective governance model. The Board approved the submission of the external review to TPAC.
- 4.9 HM reported that, parallel to Crowe's external review, we have been progressing the Board action plan following last year's internal self-assessment carried out by FR. She added that many of the observations raised by Crowe align with the Board's own areas for development.
- 4.10 The Board noted the progress achieved on the Board's action plan and the actions in train.

5. Substantial operational matters

Our approach to AI

- 5.1 Susan Ronaldson (SR) provided the Board with an update on the Office's approach to AI governance which is aligned to the Government's AI Playbook as far as it is applicable to the NAO. She reported on progress and feedback on the benefits identified from the Microsoft 365

copilot project consisting of 250 participants across financial audit, value for money and corporate service teams. SR reported that the ET has approved a high-level business case to roll out copilot to all users during 2026-27. A full business case will be considered by the ET in the spring which will include more detailed benefits realisation and implementation plans informed by results from functional use testing and evaluation of the use of pre-build copilot agents.

- 5.2 The non-executives endorsed the robust governance framework established to oversee the risks and opportunities derived from AI. They endorsed the cautious rollout of Microsoft copilot 365, noting that first-mover advantage is not relevant for the NAO. They recommended we should challenge ourselves on benefits realisation e.g. how far copilot can take us in delivering our strategic goals.
- 5.3 The Board discussed supplier assurance arrangements to address AI embedded in contracts, and recommended that the InfoSec Team should establish specific governance for acceptable AI use in supplier products.

Action: InfoSec team to establish specific governance arrangements for acceptable AI use in supplier products.

Performance and risk updates

- 5.4 NT presented the performance update to end December 2025, commenting that the position is stable with results from the annual MP survey and feedback from clients expected shortly. The Board noted that website traffic has declined because users rely on AI generated summaries instead of visiting the NAO's website, noting this trend is not unique for the NAO. RS reported that the Communications Team is working on AI web optimisation. She added that the team carry out periodic checks to ensure accurate representation of NAO reports.
- 5.5 The non-executives enquired about progress on the voluntary exist scheme. CHM reported that 15 offers have been made despite challenges in obtaining pension data from Capita. In this context the Board discussed the key findings from the NAO's report published in June 2025, on the administration of the civil service pension scheme, which had highlighted that Capita could repeat long-standing service issues unless lessons were learned from MyCSP's failures.
- 5.6 CHM also reported on progress with office attendance following the launch of the office attendance dashboard. The non-executives requested an update on office attendance at the next meeting of the Board.
- 5.7 The Board noted the summary of NAO's principal risks as at end December 2025.

Action: NT and CHM to provide an update on office attendance at the next meeting of the Board.

6. Items for approval / reports by exception

Financial Instruments variation

- 6.1 Kate Mathers (KM) presented the business case for increasing the Financial Instruments (FI) framework to ensure continued service delivery and uphold audit quality. KM explained that government investment through financial instruments has increased in both complexity and scope. In addition, the outcome of recent Machinery of Government changes and reviews have identified the need for specialised external support and sustained expertise to satisfy external audit quality standards.
- 6.2 The Board approved the increase in the FI framework.
- 6.3 KM explained that we currently buy in all our financial instrument specialist support as we do not have in-house capability to deliver. She set out the potential upsides and risks of building this capability in-house, and sought the Board's views on our longer-term strategy, taking into account the opportunities and risks.

6.4 The Board endorsed the long-term approach of building in-house capability.

Re-tender of network management services

6.5 RS sought the Board's approval to award the Network Management Service contract to the current provider via a direct award via a government framework. The Board noted the service requirements remain unchanged. The Board approved the direct award.

Biannual update on contracts in the pipeline requiring Board approval

6.6 The Board noted the biannual update on contracts awarded and the tender pipeline of contracts requiring future Board approval.

Annual update Board engagement plan

6.7 Will Sharp provided the annual Board Engagement Plan update. He outlined the proposed approach for 2026-27 which the Board endorsed for its focus on impactful activities. The Board also noted plans to develop a communications strategy for onboarding the next Chair and new non-executives, as well as recognising outgoing members.

Update on Chair succession

6.8 The Board noted that shortlisted candidates for the next Chair role would be interviewed in the coming days after which the Chair of the Public Accounts Committee would recommend a preferred candidate to the Prime Minister ahead of the motion in Parliament.

Update from Committees

6.9 The Board noted the minutes of the ARAC meeting held on 2 December 2025.

7. Any other business

7.1 HM reported that the Code of Conduct for 2026 has been launched to the Office and she will be in touch with the non-executives about their returns.

Feedback on the meeting

7.2 FR sought feed-back on the meeting. The non-executives commended the high-quality, concise papers that supported their decisions and appreciated the clarity of the messages and requests of them.

Date of the next meeting

7.3 The Board noted that the next meeting would be held on 21 April 2026.