



National Audit Office

Terms of Reference

Audit Quality Board

Updated by the Audit Quality Board on 3 March 2026¹

The Audit Quality Board (the AQB) is an advisory forum to the Comptroller and Auditor General (C&AG) from whom it derives its authority and to whom it shall regularly report.

Role

The role of the AQB is to provide the C&AG with independent challenge and insight on the effectiveness of the system of quality management supporting the NAO's financial audit and VFM work.

Members

- 1 Members of the AQB shall be appointed by the C&AG following discussion with the Chair of the NAO Board and may include independent members. The C&AG shall be a member and there shall be at least two additional members who may be either a non-executive member of the NAO Board or an independent member.
- 2 The Chair of the AQB ("the Chair") shall be a non-executive member of the NAO Board, or an independent member of the AQB, but shall not be the Chair of the NAO Board or the C&AG.
- 3 Length of appointment shall be as determined by the C&AG or consequential on the departure of its non-executive or independent members from the NAO.
- 4 At least one of the non-executive or independent AQB members shall have recent and relevant financial audit experience including experience of meeting regulatory and public interest requirements for the quality of audit work.

Quorum

- 5 A minimum of two members, including the Chair, shall be present for the AQB to be deemed quorate.
- 6 A duly convened meeting of the AQB, at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions of the AQB. If the meeting is inquorate, AQB decisions cannot be made and any discussions shall be informal only. The

¹ The history of AQB updates to its terms of reference is set out in Appendix Two.

Chair may decide to call a special meeting to undertake the remaining business.

Meetings

- 7 Meetings shall be held at least four times in each year at appropriate times as determined by the Chair of the AQB.
- 8 Meetings of the AQB shall be called at any time by the secretary of the AQB at the request of the Chair of the AQB.
- 9 Any other member of the AQB may each request the Chair of the AQB to convene a meeting at any time.
- 10 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and papers relating thereto shall be forwarded to each AQB member no later than five working days before the meeting.

Chair

- 11 The Chair shall be responsible for ensuring that the work of the AQB is effective, that the AQB is appropriately resourced and that it maintains appropriate communications with stakeholders, including with the NAO Board. In the absence of the Chair, one of the independent members should chair the meeting.

Attendance at meetings

- 12 Only members of the AQB shall have the right to attend AQB meetings. The Executive Directors responsible for the Financial Audit and Value for Money service lines shall also be invited to attend each meeting but may not be members of the AQB. Other individuals may be invited to attend all or part of any meeting as appropriate and NAO Board members may ask to attend to enhance their knowledge of AQB matters.
- 13 Any member of the AQB may ask the Chair to request the withdrawal of any non-member from any meeting or part of a meeting.

Access to the Chair

- 14 The Director of Audit Risk and Compliance shall have free and confidential access to the Chair.

Secretarial support

- 15 The AQB shall have access to sufficient resources in order to carry out its duties. This shall include the support of a secretary with responsibility for arranging meetings, drafting agendas in consultation with the Chair, commissioning and circulating papers, maintaining AQB records including taking minutes and undertaking any AQB business that may fall outside meetings.

Minutes and conflicts of interest

- 16** AQB decisions and actions arising from each meeting shall be minuted and shall include a record of the names of those present and in attendance.
- 17** Any actual or potential or perceived conflicts of interest shall be identified at the start of each meeting and recorded in the minutes. Each member shall have a duty to notify any circumstances which may constitute a conflict or a perceived conflict of interest to the secretary and/or Chair prior to the commencement of the meeting to enable a determination to be made as to what procedure should be adopted to limit the member's participation in the meeting in respect of the Agenda item(s) which gives rise to the conflict or potential conflict.
- 18** Draft minutes shall be circulated promptly to the Chair and, once approved, to meeting members and attendees unless a conflict of interest or a matter of confidentiality exists.

Disclosure

- 19** The AQB's terms of reference and membership shall be available on the NAO website. The NAO Annual Report and Transparency Report shall describe the role, responsibilities and composition of the AQB and shall include a report on the work of the AQB in discharging its responsibilities during the year. The number of meetings of the AQB and the attendance record of members during the year may also be disclosed in these annual reports.

Training

- 20** The NAO shall make resources available to provide AQB members with appropriate and timely training, in the form of a suitable induction process for new members and ongoing training as appropriate for existing members. Members are expected to complete mandatory training on ethics as and when required or any other mandatory training deemed necessary.

Conduct

- 21** The same expectations for conduct as set out in the Code of Conduct for the NAO Board apply to all members of the AQB.

Scope of delegated authority

- 22** The AQB is an advisory forum to the C&AG.
- 23** It is authorised to investigate any matters within its terms of reference and seek any information it requires from the NAO in order to inform its advice to the C&AG.

Responsibilities of the AQB

- 24** The AQB shall support the C&AG to promote the highest levels of quality across the full range of the NAO's audit work.
- 25** It shall do this by setting its agendas for each meeting and in considering internal and external reports on the quality of the NAO's work. It shall also, from time to time, undertake its own meetings with NAO staff. On the basis of its considerations, the AQB shall advise the C&AG accordingly and, where appropriate, report to the NAO Board.
- 26** In order to discharge its responsibilities the AQB shall consider, though is not limited to, the following:
- risks to audit quality, as further analysed within the financial audit and VFM service lines' own risk registers;
 - the annual Financial Audit Quality Plan and the NAO's progress against this Plan taking detailed reports from the service line as appropriate;
 - the quality culture within the NAO including, for example, its investment in learning and development;
 - the NAO's system of quality management that supports the quality of the NAO's financial and value for money audit work;
 - progress and results from the NAO's internal and external quality reviews and taking forward the lessons arising for both service lines;
 - the NAO's assessment of the strategic responses to quality findings, recurring themes, and root causes behind these findings;
 - relationships with the regulator and addressing its findings within the financial audit service line;
 - progress against key quality indicators;
 - draft Transparency Report, including a description of the role and work of the AQB; and
 - the Parliamentary reporting to the Public Accounts Commission (TPAC) of the quality of the NAO's work and actions to take.
- 27** The Chair of the AQB may be invited to attend meetings convened by TPAC to provide a governance view on the NAO's quality arrangements.

Reporting responsibilities

- 28** The Chair, acting if necessary through an independent member, shall provide a summary of the work of the AQB at relevant NAO Board meetings to support the Board's role in overseeing organisational performance and risk management.
- 29** The Chair shall also report on audit quality matters to the Audit & Risk Assurance Committee to ensure coordination in the management of NAO's corporate risks relating to audit quality.
- 30** The AQB shall make whatever recommendations to the C&AG it deems appropriate on any

area within its remit, particularly where action or improvement is required.

Assessment of Performance

- 31** The AQB shall periodically review its performance and consider any consequential changes to its role and the way it discharges it.
- 32** The performance of AQB members should be appraised annually by the Chair. The C&AG should annually appraise the Chair's performance.

Other matters

- 33** AQB shall:
- Give due consideration to the relevant requirements of the Audit Firm Governance Code as appropriate taking into account the C&AG's statutory role.
 - Review its own terms of reference annually and recommend to the C&AG any amendments to these terms of reference it considers necessary.
 - Receive timely reporting of any issues within the scope of its responsibilities that may occur in between formal meetings of the AQB.

Appendix One

AQB information requirements

Depending on the agreed agenda, the AQB shall be provided with, though are not limited to:

- financial audit quality indicators;
- progress reports from the Director Audit Risk and Compliance summarising monitoring activities in hand, key issues emerging and management responses;
- updates from the Directors of Financial audit Practice and Quality, Value for Money Practice and Quality and Financial Audit Operations;
- draft Financial Audit Quality Plan and subsequent progress on its actions;
- draft scope and draft Transparency Report including relevant supporting material;
- draft overall reports from the Financial Reporting Council's Audit Quality Review Team; and;
- findings from internal quality reviews for both financial and VFM service lines and future plans.

Appendix Two

AQB history of approval of its terms of reference

The AQB held its inaugural meeting on 23 March 2021 and approved its terms of reference on 23 June 2021. The AQB has reviewed and updated its terms of reference since then as follows:

- 23 June 2022.
- 18 February 2025.
- 3 March 2026.