National Audit Office

Board Minutes

Meeting held on 21 July 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 & Auditor General
Catherine Hope-MacLellan	CHM	Chief People Officer
Rebecca Sheeran	RS	Chief Operating Officer
Laura Lucking / Verity Prime	LL/VP	Executive Director Infrastructure (job-share)
Attendees		
Abdool Kara	AK	Executive Director Local Services
Kate Mathers	KM	Executive Director of Financial Audit
Max Tse	MT	Executive Director Value for Money Service Line
Steven Corbishley	SC	Director Audit Risk & Compliance (item 4)
Lucy Gibling	LG	Senior Audit Manager (item 4)
Susan Ronaldson	SR	Director Change (item 5)
Freddie Wong	FW	Senior Analyst (item 4)
Helene Morpeth	HM	Head of Governance & Risk
Observer		
Michael Jary	MJ	Incoming Chair

1. Welcome / regular items

Welcome

1.1 Dame Fiona Reynolds (FR), NAO Chair, opened the meeting and welcomed members and attendees. She congratulated Michael Jary on his appointment as incoming NAO Chair and welcomed him as an observer.

Apologies for absence

1.2 There were no apologies for absence.

Declarations of interest

1.3 Hetan Shah reported that he had recently been appointed as Visiting Professor in Practice at the London School of Economics. The Board noted the declaration. There were no other new or updated declarations of interest.

Approval of minutes / matters arising

1.4 The Board approved the minutes of the meeting held on 12 June 2026 as an accurate record.

1.5 The Board noted:

- the publication of the 2025-26 Annual Report and Accounts and the 2025-26 Diversity & Inclusion Annual Report on 30 June 2026; and
- the motion moved in Parliament by the Prime Minister on 2 July 2026 to appoint Michael Jary as Chair of the NAO from 10 January 2027.

Action log

1.6 The Board approved the removal of the completed actions from the log and noted the status of the remaining open actions.

2. C&AG update

2.1 The C&AG reported that the Office had achieved its target of certifying 70% of audits by the end of July and remained on track to achieve 100% certification by the end of October. He described this as a significant achievement, noting that a number of departments had secured pre-recess certification for the first time since the pandemic. He added that valuable case studies from audited bodies would be used to identify and share best practice.

2.2 The Board congratulated the Office on the achievement and recognised the resilience and commitment of teams in delivering the target. They expressed their thanks to staff throughout the organisation for their hard and effective work. Members noted that the improved timeliness of certification would support more effective planning for the 2026-27 audit cycle.

2.3 The C&AG also reported that value-for-money work was progressing well. He highlighted recent Public Accounts Committee evidence sessions on Sizewell C, Compensation Schemes and Civil Service Pensions.

Horizon Scanning

2.4 The Board held a horizon scanning discussion on the implications of recent political developments including the appointment of the new Prime Minister and Cabinet members. Members considered:

- machinery of government changes and the implications for public accountability arrangements;
- the impact of devolution reforms and the evolving balance between local accountability and Parliamentary accountability;
- longer-term questions regarding assurance arrangements and the extent to which robust assurance can be maintained through increasingly devolved delivery models; and
- capability and capacity required across government and local bodies to support effective governance, accountability and oversight.

2.5 The Board noted the importance of monitoring developments closely and considering the implications for the NAO's future audit and value-for-money work.

3. Strategic discussion

Local Audit Office, devolution and the future public audit landscape

3.1 Abdool Kara (AK) presented a paper setting out the NAO's proposed response to the establishment of the Local Audit Office (LAO) including the wider implications of devolution for the NAO's strategy and risk profile. Members noted that the transfer of the Code function is mandated by legislation and is expected to take place no earlier than 1 April 2027, involving the transfer of a small number of specialist local audit staff, most of whom are expected to move with

the function. The Board noted the need to ensure associated funding transfers appropriately and that any residual resource implications are accurately reflected in future operational planning.

3.2 The Board discussed the need for an effective internal liaison function to manage the NAO's future relationship with the LAO and coordinate the Code transfer. Members noted that this would require dedicated senior capacity, with further work needed to determine where responsibility should sit and how it should be resourced. Members agreed that the arrangements should be sufficiently clear and durable to support institutional continuity beyond current office-holders.

3.3 The Board supported a positive and collaborative approach to the future relationship with the LAO. Members considered potential opportunities for collaboration across corporate services, learning and development, technical expertise, methodology and secondments. Members noted that a project team had been established to prepare for potential short-term requests from the LAO. The Board agreed that any support would need to be provided within available resources and subject to appropriate safeguards, given that the LAO would be an audited body.

3.4 Members emphasised that the creation of the LAO should be viewed as a strategic opportunity to strengthen accountability across national, regional and local government, improve the ability to follow public money through increasingly devolved delivery systems, and support a more joined-up public audit landscape. The Board encouraged the Executive Team (ET) to be ambitious in identifying opportunities for joint working, while avoiding duplication and supporting parity of esteem between national and local audit.

3.5 The Board noted that the LAO may in due course seek to establish its own audit practice, which would require audit methodology, software, recruitment and training capability. Members recognised that some movement of staff to the LAO could be expected and should be seen as an opportunity where it supports the wider public audit system, provided that any impact on NAO capability and capacity is understood and managed.

3.6 Members also discussed the risks associated with the future relationship. These included maintaining independence where the NAO audits the LAO, managing any conflicts of interest, understanding the capability implications of staff transfers, and responding to uncertainty around the LAO's future funding model.

3.7 The Board further noted the wider operational challenge of rebuilding assurance in local audit, including the complexity created by government reorganisation and the consolidation of accounts across authorities with differing audit histories. Members agreed that scenario planning would be important to identify how the NAO would protect audit independence and maintain appropriate separation if issues arose in the future relationship with the LAO and / or the wider public audit landscape.

3.8 The Board agreed that the implications of the LAO, devolution and the evolving public audit landscape were significant and should continue to be reflected in the NAO's strategic discussions and risk management. Members noted that these developments were likely to be relevant to future Board discussions, including the September strategy day.

Actions:

1. AK / ET to develop proposals for the future relationship with the LAO, including governance arrangements, opportunities for collaboration and safeguards to protect the NAO's independence.

2. AK / ET to undertake scenario planning on the future relationship with the LAO, including how independence and separation would be maintained if issues arose, and how risks associated with funding, staff movement and capability should be monitored.

3. AK / ET to consider the strategic implications of devolution and the evolving public audit landscape, including whether these should be reflected more explicitly in future Board discussions and the risk register.

4. Report requiring Board approval

2025-26 Transparency Report

4.1 Steven Corbishley (SC) presented the 2025-26 Transparency Report for approval. He explained that the report is required under regulatory requirements and provides an overview of the NAO's work, quality arrangements and performance during the year. The report had previously been reviewed by the Audit Quality Board and approved for submission to the Board.

4.2 The Board welcomed the report and noted the positive benchmarking undertaken against comparable organisations. The Board discussed the presentation of key results within the report and suggested that headline achievements could be highlighted earlier to improve accessibility for readers.

4.3 The Board also discussed the reporting of one agreed breach of ethical standards which was reported to the Financial Reporting Council in relation to the secondment to the Office for Value for Money. Members noted the safeguards in place to protect the C&AG's independence and the case-by-case approach taken when considering such arrangements.

4.4 Subject to a small number of drafting and presentation amendments, the Board approved the Transparency Report for publication.

Action: SC to update the Transparency Report to reflect the Board's comments before publication.

5. Substantial operational matters

AI Strategy, Data Strategy and Copilot demonstration

5.1 The C&AG reported on good progress in recruiting the Chief Digital and Information Officer (CDIO) with a strong field of candidates proceeding to final interview.

5.2 Max Tse, Rebecca Sheeran and Susan Ronaldson presented the proposed AI and Data Strategies, together with a demonstration of how Microsoft Copilot is already being used within the value- for-money service line. The Board noted that the strategies were intended to support delivery of the NAO's five-year strategy and to ensure that the NAO remained effective and relevant in an environment increasingly shaped by data and artificial intelligence.

5.3 The Board noted that the Data Strategy focused on strengthening the foundations required for effective use of data, including governance, quality, architecture and capability, while the AI Strategy sets out how the NAO would both scrutinise government's adoption of AI and harness AI to improve our own work. Members emphasised that successful adoption would depend not only on technology but also on investment in skills, culture and organisational change.

5.4 The Board welcomed the demonstration of Copilot-enabled tools and the prompt libraries, noting examples of how AI was being used to support study scoping, drafting, evidence gathering and quality review. Members recognised the potential for AI to accelerate routine tasks, improve productivity and support high-quality analysis, while stressing that human judgement would remain essential.

5.5 In discussion, the Board highlighted the importance of:

- equipping staff with the skills and confidence to use AI effectively and, in particular, to critically evaluate AI-generated outputs;
- redesigning workflows and processes alongside the introduction of AI tools recognising that technology alone would not deliver benefits;
- maintaining strong governance, professional judgement and trust in the quality of the NAO's work;
- ensuring that the NAO remained agile as AI technologies evolved rapidly; and

- building and maintaining high-quality data as a prerequisite for effective use of AI.

5.6 The Board also discussed the implications of AI adoption across government. Members noted that many departments faced significant challenges relating to legacy systems, data quality and governance, and that these issues could affect the reliability of AI-enabled decision making. The Board emphasised the importance of the NAO developing its understanding of how AI was being adopted across government and of providing robust scrutiny of associated risks and opportunities.

5.7 The Board explored the opportunities and risks associated with more advanced forms of AI, including AI agents. Members welcomed the ET's cautious and governance-led approach to adoption, noting the importance of appropriate controls, transparency and monitoring arrangements. The Board recognised the need to strike an appropriate balance between enabling innovation and managing risk.

5.8 The Board supported the overall direction of both strategies and agreed that they provided an appropriate framework ahead of the appointment of the CDIO. Members emphasised that responsibility for successful implementation rested with the whole ET and should not be viewed solely as a technology function.

5.9 The Board also welcomed consideration of future opportunities to use AI to identify themes, trends and insights across the NAO's portfolio of reports.

Strategic ambitions and balanced scorecard

5.10 The Board received the balanced scorecard as at the end of June and noted the improvement in the performance of delivery following the successful completion of pre-recess financial audit milestones.

5.11 The Board agreed that the September strategy day would provide an excellent opportunity to consider what additional actions may be required to progress the two strategic ambitions further.

Update on principal risks

5.12 The Board noted the risk position to end of June. Members welcomed the improvement in the service delivery risk, which had moved from 'above target' to 'on target' following the achievement of the certification target. They also noted that there were no risks of immediate concern.

5.13 The Board agreed that devolution and wider structural changes in government should be reflected more explicitly in the risk framework as the external environment evolves and the NAO develops its response to the associated opportunities and risks.

Action: The ET to consider how risks arising from devolution and structural change across government should be reflected in the risk register.

6. Approvals by exception / Update from Committees / Matters for discussion by exception

Procurement of constitutional and public law services

6.1 The Board considered the proposed procurement strategy for securing constitutional and public law advice. Members noted the rationale for an open competition and the proposed contract structure and value.

6.2 The Board approved the business case and procurement approach.

Contracts awarded and tender pipeline

6.3 The Board noted the biannual update on contracts awarded and the forward procurement pipeline. Rebecca Sheeran (RS) reported that the LED lighting procurement had been paused following receipt of bids that exceeded the approved budget and that alternative options were

being explored. She reported that a revised LED lighting business case would be presented to the Board in the autumn, for approval via correspondence.

Update from the Audit Quality Board (AQB)

6.4 Gaenor Bagley (GB) updated the Board on the recent AQB meeting. Members noted that the AQB was satisfied with the NAO's response to the FRC's overall report to the C&AG, which recognised sustained improvements in audit quality following the previous year's strong performance. The Board also noted the AQB's discussion of the Transparency Report. GB added that the AQB was satisfied that both financial audit and VFM quality remained on track against their respective audit quality indicators.

6.5 The Board also noted progress in identifying a successor to one of the external independent members and future membership changes expected later in the year.

Future Foundations programme

6.6 RS updated the Board on the Future Foundations programme. Following a workshop with external advisers, three priority areas had been identified for further business case development: generation of renewable energy, improvements to building insulation and fabric, and optimisation of existing building systems.

6.7 The Board welcomed the phased approach and agreed that it would support both sustainability objectives and long-term value for money.

Chair and non-executive member succession

6.8 Michael Jary updated the Board on progress with the recruitment of two new non-executive members. The Board noted that a search firm had been appointed, candidate materials were in development, and the recruitment timetable remained on track to support appointments from January 2027.

6.9 The Board welcomed progress and encouraged members to support the promotion of the opportunities through their networks.

Board strategy day

6.10 The Board noted arrangements for the September strategy day, including planned external speakers and discussions on the strategic environment facing the NAO. Members welcomed the agenda and agreed that devolution was likely to be an important area of focus.

7. Any Other Business

Feedback on the meeting

7.1 FR invited feedback on the meeting. The Board welcomed the discussion on devolution and the future of public audit, noting its strategic importance for the NAO. Members also found the AI and data strategy discussions and the Copilot demonstration valuable and informative.

7.2 The Board noted the next meeting would take place on 25 September 2026.