

## **TERMS OF REFERENCE AUDIT QUALITY BOARD**

Approved by the Audit Quality Board on 23rd June 2022

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

### **Members**

1. Membership of the AQB shall be appointed by the C&AG following discussion with the Chair of the NAO Board and may include an Independent member. The C&AG shall be a member and there shall be at least two additional members.
2. The Chair of the AQB shall be a non-executive member of the NAO's Board, or the Independent member of the AQB, but cannot be the Chair of the NAO Board or the C&AG.
3. Length of appointment will be as determined by the C&AG or consequential on the departure of its members from the NAO, for a non-executive member.

### **Quorum**

4. A minimum of two Members, including the Chair, shall be present for the AQB to be deemed quorate.
5. 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 will be informal only. The Chair may decide to call a special meeting to undertake the remaining business.

### **Meetings**

6. Meetings shall be held at least four times in each year at appropriate times as determined by the AQB.
  7. 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.
  8. Any other member of the AQB may each request the Chair of the Committee to convene a meeting at any time.
  9. 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
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forwarded to each AQB member no later than 5 working days before the meeting.

### **Chair**

10. In the absence of the Chair, the other Independent or non-executive member should chair the meeting. 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.

### **Attendance at meetings**

11. 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 and Financial Audit Quality will also be invited to attend each meeting, but 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 AQ matters.
12. 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.

### **Secretarial support**

13. The AQB will have access to sufficient resources in order to carry out its duties. This will 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**

14. AQB decisions and actions arising from each meeting will be minuted and will include a record of the names of those present and in attendance.
15. 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.
16. Draft minutes will 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**

17. The AQB's Terms of Reference and membership will be available on the NAO website. The NAO Annual Report and Transparency Report will describe the role, responsibilities and composition of the AQB and will 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.

### **Conduct**

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

### **Scope of delegated authority**

19. The AQB is an advisory committee to the C&AG.
20. It is authorised to investigate any matters within its Terms of Reference and to seek any information it requires from the NAO in order to carry out its duties.

### **Responsibilities of the Committee**

21. The AQB will support the C&AG to promote the highest levels of quality across the full range of the NAO's audit work.
22. It will 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 will also, from time to time, undertake its own meetings with NAO staff. On the basis of its considerations, the AQB will advise the C&AG accordingly and, where appropriate, report to the NAO Board.
23. In order to discharge its responsibilities, the AQB will 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 Audit Transformation Programme;
  - the implementation of the NAO's risk management framework, implemented as a response to the new quality management standards, 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 of the quality of the NAO's work and actions to take.

### **Reporting responsibilities**

24. The Chair, acting if necessary through the NED member, may provide a summary of the work of the AQB at relevant NAO Board meetings.
25. The Committee 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**

26. The AQB will periodically review its performance and consider any consequential changes to its role and the way it discharges it.

## **Annex: Audit Quality Board Information Requirements**

NAO management will ensure that all relevant information, where it is available will be provided to the Board promptly.

### **For each meeting, the Board will be provided with:**

- a progress report from the Director, Compliance and Quality Unit, summarising:
  - activities in hand;
  - key issues emerging;
  - management responses;
  - changes to, and development of, the Quality Plan.

### **As and when appropriate, the Board will also be provided with:**

- updates from Directors of Financial Audit Practice and Quality, Value for Money Practice and Quality, and Financial Audit Operations;
- draft Quality Plan;
- draft Transparency Report including relevant supporting material;
- draft overall reports from the FRC's Audit Quality Review Team; and
- findings from internal quality reviews and future plans.