



National Audit Office

Board Minutes

Meeting held on 24 January 2023 from 10:00 to 12:30 hrs.
157-197 Buckingham Palace Road, London SW1W 9SP

Members		
Dame Fiona Reynolds	FR	Chair
Gaenor Bagley	GB	Non-Executive Member
Sir Martin Donnelly	MD	Non-Executive Member
Dame Clare Tickell	CT	Non-Executive Member
Vacancy		
Gareth Davies	GD	Comptroller & Auditor General
Daniel Lambauer	DL	Executive Director responsible for Strategy and Resources
Kate Mathers	KM	Executive Director responsible for Financial Audit Service Line
Max Tse	MT	Executive Director response for Knowledge
Attendees		
Abdool Kara	AK	Executive Director responsible for People
Elaine Lewis	EL	Executive Director responsible for Financial Audit Quality
Rebecca Sheeran	RS	Executive Director responsible for VFM service line
Jonathan Bayliss	JB	Senior Analyst (items 3 & 4)
Chloe Forbes	CF	Head of Strategy & Enterprise Portfolio Management (item 3 & 4)
Adrian Jenner	AJ	Director Parliamentary Relations (item 2)
Susan Ronaldson	SR	Director Audit Transformation Programme (item 5)
Nigel Terrington	NT	Director Strategy (items 2-4)
Tim Valentine	TV	Director Finance (item 4)
Helene Morpeth	HM	Head of Governance and Risk
Observer		
Alistair Conner	AC	Non-executive member with effect from 1 st February 2023

1. Chair's Welcome

Welcome

- 1.1 Dame Fiona Reynolds, the NAO Chair, welcomed members and attendees to the meeting. She extended a special welcome to Alistair Conner who would formally join the Board on 1 February 2023 following the successful outcome of the appointment hearing with the Public Accounts Commission.

Apologies for absence

- 1.2 The Chair reported that apologies for absence had been received from Clare Tickell.

Declaration of Interests

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

2. Regular items

Approval of December Minutes

- 2.1 The Board approved the minutes of the meeting held on 13 December 2022.

Action Log

- 2.2 The Board noted that there were six actions on the log of which five were reported as 'complete' and one of the open actions was due for completion by its due date. The Board agreed the deletion of the completed actions.

Update from the Comptroller and Auditor General (C&AG)

- 2.3 The C&AG provided his update since the last meeting of the Board. The C&AG's update led to a wide-ranging discussion covering the government's efficiency agenda including the many different frameworks for measuring and providing assurance on efficiency. The C&AG also reported on the 2021-22 accounts of the Department of Health and Social Care including the evidence base for his qualifications of his audit opinions.
- 2.4 The Board discussed the strike action by the PCS union on 1 February and assessed the impact on the NAO's operations as limited. The Board noted the C&AG's recent visit to Geneva to present the NAO's proposal to become the auditor of the International Labour Organisation. The latter led to a discussion on the NAO's ambition in the field of international audits which the Board agreed should be considered further as we progress with the strategic review. The Board noted that the recruitment campaign for the role of Chief People Officer was underway following the C&AG's discussion with the non-executives on the business case for this new role following the December Board meeting.
- 2.5 Adrian Jenner provided a brief update on recent Parliamentary activity including activity at the Committee of Public Accounts (PAC). He reported on the positive feed-back received from some PAC members on the NAO's learning programme with the Committee. He also reported that PAC would consider the strategy update and the 2023-24 Estimate on 6 February ahead of the hearing with the Public Accounts Commission on 8 March.

3. Strategic Discussion

"Best in Class"

- 3.1 The Chair invited the Board to contribute to the strategy discussion on "best in class" following the helpful discussion held at the December meeting on "the NAO's ambition". She suggested that the Board should consider the following questions: how the NAO compares to other organisations that fulfil a similar role i.e. other Supreme Audit Institutions (SAIs). How do we compare to organisations that do comparable work in the UK, for example private sector audit firms which require the same skills and capabilities from their staff and which are assessed within the same regulatory framework. Finally, how should we continue to lead as an exemplar organisation by holding ourselves to the high standards we expect from public bodies.
- 3.2 The key themes to emerge from the discussion were that:
- We are considered as one of the leading SAIs in the world with an excellent reputation for our professionalism and the high quality of our financial audit and value for money work. We are fairly unique in that our work is subject to external review to meet the assurance needs of Parliament.
 - Some SAIs are better established in the field of ESG and we should look to learn from their best practice, for example the upcoming peer review which we have commissioned from the Dutch SAI should generate helpful recommendations for improvement.
 - Some SAIs produce reports on key strategic risks for incoming governments which are well received. This is something we have started to do for example the C&AG's talk in Parliament earlier in the year, on lessons learnt from our cross-cutting work and insights from systemic issues. We should build on this.

- Our audit quality is comparable to the quality in the private sector firms. Whilst we cannot match them on pay, we have a unique employer proposition and a strong sense of purpose which we should promote and exploit in a more imaginative way.
 - We have a strong analytical capability but we can learn more from other leading UK based organisations in this field, for example how to communicate complex data in a more compelling way.
 - Our independence is a powerful attribute that Parliament has granted us. Could we do more to communicate how we use this unique authority to achieve impact?
 - We should aim to be exemplary internally by operating efficiently and optimising our value for money and being an inclusive employer with commitments to diversity and inclusion and employee health and wellbeing.
- 3.3 The consensus from the Board's strategic discussion was that the next five-year strategy should be viewed as a continuation of the current strategy but that we should rebase our resources and priorities so we continue to improve our impact. One of the priorities for future decision is the level of international engagement we want to pursue considering the upcoming rotation on the UN Board of Auditors.

4. Substantial approvals

2023 Strategy update and 2023-24 Estimate

- 4.1 Nigel Terrington thanked members for their constructive and helpful comments on the draft of the strategy update and 2023-24 Estimate document circulated on 17 January 2023. He reported that the final draft – presented for approval – contained amendments made as a result of the comments received on the strategic and financial narrative and the resource request to the Public Accounts Commission. He added that the most substantial changes have been to include in the foreword a reference to our forthcoming strategic review. In addition the draft now includes a better balance between pay and other important aspects of our proposition as an employer such as engagement and motivation.
- 4.2 Nigel Terrington referred to the requirement in the Code of Practice that the Board should approve the scope of the NAO's approved services. The Board noted that the schedule of approved services for 2023-24 includes one additional new audit engagement, the UK Government Green Financial Framework Allocations Report.
- 4.3 The Board approved the strategy update and 2023-24 Estimate for submission to the Public Accounts Commission. The Board approved the scope of the NAO's approved services. The Board noted the detailed internal communications plan underpinning the launch of the strategy update and 2023-24 Estimate including the proposed Q&A with staff in the margins of the Board meeting on 23 March.

5. Substantial operational matters

Audit Transformation Programme (ATP update)

- 5.1 Susan Ronaldson provided an update on progress on the ATP following the update reported to the Board last December. She reported that Phase One was now complete and that the office went live with the methodology and associated tooling on time last September and all training events have now been delivered. She added that the delivery of the embedded risk assessment was initially planned for 30 January but this has slipped by a number of weeks and is now expected in late February / early March. The non-executives sought assurance on the impact of the delay. Susan Ronaldson explained that her team are working through the revised plan in detail with the supplier and have received assurance that the delays in the release will not have an operational impact. The Chair thanked Susan for her open and transparent update.

NED succession planning

- 5.2 The Chair presented a paper on Board succession planning to inform a discussion on the priorities for the next non-executive campaign taking into account the skills and experience required on the Board to meet the NAO's future strategic priorities. She also invited the Board to consider the lessons learnt from the recent campaign to appoint Alistair Conner and to consider the composition of the Board from a diversity perspective.

- 5.3 The Board commented that the skills and sector experience represented on the Board, taking into account Alistair's recent appointment, were sufficient to meet the NAO's strategic priorities in the medium term. The Board commented that the next campaign should focus on candidates with strong generic Board level skills (gained in an executive or non-executive capacity). The Board added that if candidates had an additional skill set relevant to the NAO's areas of focus, then this would be a welcome optional extra. The Board agreed that a key priority for the next campaign should be to reach out to ethnically diverse candidates from across the country.
- 5.4 The Chair thanked the Board for their comments and said that she looked forward to a further discussion on priorities for the upcoming campaign at the meeting of the Remuneration and Nominations Committee in February.

6. Matters for Board to note/discussion by exception

January performance and risk reports.

- 6.1 The Board received the January performance and risk reports. Max Tse (MT) reported that it was unlikely that the office would meet its financial impacts target based on the data recorded by teams to-date and bearing in mind the deadline for collection of financial impacts is six weeks away. The Board commented that they were aware that the cyclical nature of some of the recurring impacts had the potential to adversely impact the 2022 target.

Verbal update from Chair: approach Board self-assessment including progress on actions arising from 2022 external evaluation.

- 6.2 The Chair reported that she would lead on the upcoming self-assessment of the Board's performance in 2022-23, informed by members' views on the progress against the 5-point action plan agreed following the external Board evaluation completed at the end of March 2022. She would summarise the findings from her conversations with members to facilitate a discussion at the Board meeting on 23 March 2023.

ARAC minutes 6 December 2022

- 6.3 The Board noted the minutes of the ARAC meeting held on 6 December 2022.

Contracts awarded July to December 2022

- 6.4 The Board noted the summary of contracts awarded from July to December 2022 following Board approval of the respective tender initiation business cases. The Board noted the contracts in the pipeline for which Board approval will be required.
- 6.5 The Chair reported that she had received a letter from the PCS Union with information about the proposed strike action on 1 February and other matters which were currently subject to negotiation with management.

7. Conclusion

Date and time of next meeting

- 7.1 The Board noted that the next meeting would take place on 23 March 2023 at the NAO's London offices.