



National Audit Office

An Introduction to the National Audit Office

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National Audit Office

Overview

Our role

The NAO supports Parliament in holding government to **account for spending public money**. In so doing, we help to **improve the way public services are delivered**.

We **audit the financial statements** of all central government departments, agencies and other public bodies, including big commercial entities such as Network Rail, and report the results to Parliament.

We **report on the effectiveness, efficiency and economy** of government spending and share our **cross-government insight** through:

- Value-for-money reports
- Investigations, setting out facts where concerns have been raised
- Landscape reviews
- Briefings, overviews and short guides
- Good-practice guides and frameworks of questions to ask

Our impact

We identify where our work or influence has contributed to **better public services or a financially-quantifiable net benefit**. We refer to this as our 'impact'.

Our work leads to savings and other efficiency gains worth many millions of pounds:

£741 million in 2017

Much of our work brings about **beneficial qualitative changes**, from specific recommendations for improvements to raising wider awareness of issues. Our Annual Reports include case studies illustrating these impacts.

Comptroller and Auditor General (C&AG)

Sir Amyas Morse KCB is the head of the NAO. He was appointed in June 2009.

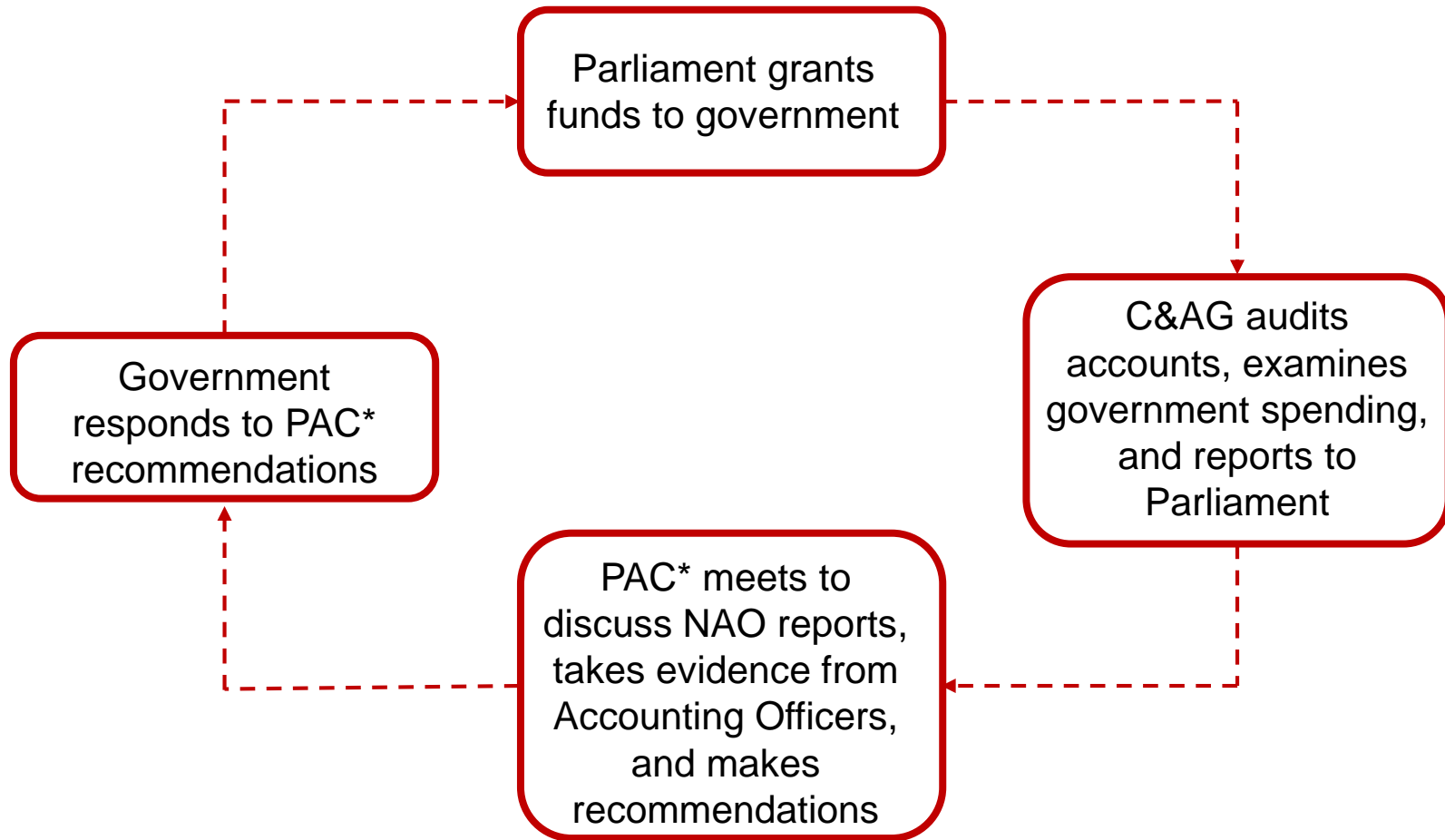
The C&AG is an **Officer of the House of Commons**, appointed by the Queen and has statutory access and reporting rights.

The C&AG is responsible for all **audits and reports**. The staff of the NAO carry out these tasks on behalf of the C&AG.

The C&AG and NAO staff are fully **independent** of government.

As **Comptroller**, the C&AG is responsible for approving the issue of all public funds to central government departments.

The accountability process



* Committee of Public Accounts

Our work is produced for:

- The Committee of Public Accounts (PAC)
- Other select committees, e.g. the Public Administration and Constitutional Affairs Committee, Environment, Health, and Transport.
- All MPs and peers
- Senior officials in government departments
- Members of the public and groups interested in aspects of our work

Correspondence: We respond to correspondence from MPs (108 responses in 2017-18) and from the public (877 responses), and to enquiries under the Freedom of Information Act (87). Correspondence is a key point of direct contact and, coupled with intelligence from our work, is useful for bringing issues to our attention and can lead to investigations or value-for-money studies.



National Audit Office

Our work

There are six dimensions to our work

Financial Audit

We audit public sector accounts, including all central departments, agencies and other public bodies, including charities and big commercial entities such as Network Rail. We report the results to Parliament.

We certified **370** accounts in 2017-18

Value for Money (VFM)

We report on the value for money (the effectiveness, efficiency and economy) of government spending. We also highlight lessons for the bodies we audit and for government more widely.

We published **65** major reports in 2017-18

Investigations

We undertake investigations when concerns have been raised. These reports are timely, focused and set out the facts regarding service quality, failure and financial management.

Support for Parliament

We provide evidence and briefings to help the Committee of Public Accounts (PAC), other Select Committees and individual MPs in their scrutiny of public spending and service delivery.

In 2017-18: PAC held **51** evidence sessions in 2017-18 based on our work; & we published **7** guides and frameworks & **25** Short Guides on departments and key issues, such as regulation.

Share insight & guidance

We share insight, good practice and the factors that we consider when we are evaluating value for money.

International

We carry out external audits of a range of international organisations. We report on EU spending in the UK. We are a member of INTOSAI* and EUROSAI**.

* International Organisation of Supreme Audit Institutions

** European Organisation of Supreme Audit Institutions

Financial Audit: Audited bodies

The C&AG certified 370 accounts in 2017-18, covering more than £1.6 trillion of public income and expenditure

Departments	e.g. Health and Social Care, Defence
Agencies	e.g. Highways England
Arm's-length bodies	e.g. Environment Agency, Competition and Markets Authority
Charities	e.g. British Council, V&A Museum
Companies	e.g. The BBC and UK Asset Resolution Ltd.

Financial Audit: Approach

The NAO provides an **independent opinion** ensuring accounts are:

- 'true and fair'
- properly prepared – in accordance with the relevant Accounting Framework
- regular – income or expenditure, or both, in line with Parliamentary intention

The NAO approach:

- complies with International Standards on Auditing (ISAs)
- is a risk-based audit approach
- focuses on material matters, i.e. matters which could alter the user's understanding of a set of financial statements

Financial Audit: Outputs

Audit opinion on financial statements

The C&AG gives an opinion on financial statements, including whether they are true and fair. For most of the accounts we audit, the C&AG will also give a regularity opinion.

C&AG's report on accounts

The C&AG may choose to issue a substantive report on an entity which he audits. These are used to bring Parliament's attention to matters which have a direct or indirect effect on public expenditure. Our published reports are on our [Audit of Financial Statements web-page](#).

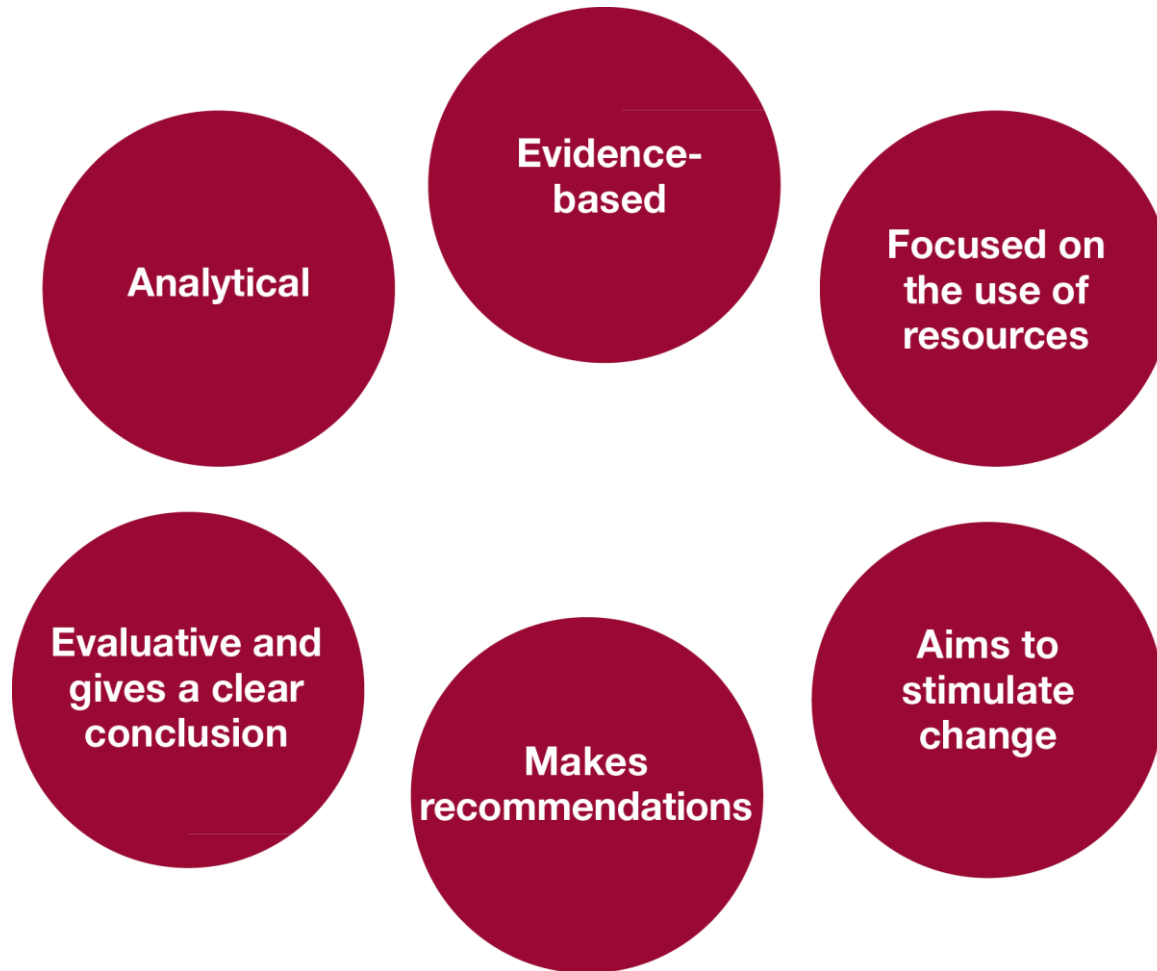
Letter to management

The letter recommends process and control improvements.

VFM: Our value-for-money audits

- Our value-for-money reports help Parliament to hold government to account for how it spends public money.
- We do not comment on the merits of policy but aim to conclude on whether value for money has been secured, i.e. the effectiveness, efficiency and economy of government spending.
- We cover a wide range of significant topics, such as the NHS, major defence projects and local services.
- We select our studies based on a detailed assessment of risks to value for money, with input from PAC and Parliament.
- Our reports highlight important lessons for the bodies we audit and for government more widely.

VFM: What is VFM audit?



VFM: Confirming our reports' accuracy

- The C&AG has complete discretion over the content of our reports.
- We agree the factual accuracy of our reports with the bodies we audit, but not the conclusions and recommendations.
- We also seek comments from other parties mentioned in our reports.
- The aim is to ensure subsequent debate focused on lessons to be learned, with the facts agreed.

Investigations

We conduct investigations to establish the facts where there are concerns about public spending issues, such as service failures or financial irregularities. These concerns may be raised by MPs, the media or the public, or be identified through our work.

Our investigations establish the facts, rather than evaluating consequences as we do in our value for money reports, so we can report rapidly to address live and emerging issues and provide Parliament with timely reports.

See [all our investigations](#), including:

- [The government's handling of the collapse of Carillion](#);
- [Government-funded inquiries](#); and
- [WannaCry cyber attack and the NHS](#).

Insight and guidance

We share insight, good practice and the factors that we consider when evaluating value for money. This includes:

- **Reports on insight, lessons, warning signs and good practice** – e.g. on managing contracts and on conflicts of interest.
- **Frameworks of questions that decision makers can ask** – e.g. reviewing programmes, challenging cost estimates, understanding cyber security issues, and assessing public service markets.
- **Examples of good practice** – e.g. annual reports.

Many can be found on our [Self-Assessment Resources](#) web-page.

Support for Parliament

All of our work supports Parliament. In particular:

- Our reports are laid in Parliament and on the basis of our findings, the **Committee of Public Account (PAC)** takes evidence from the organisations under scrutiny. It usually publishes its own report with recommendations to which the government must respond.
- We support **select committees'** work, including through:
 - Our [Departmental Overviews](#) and, at the beginning of each Parliament, our series of [Short Guides](#) on departments and cross-government issues such as regulation.
 - A range of [briefings](#) and [memorandums](#)

See our website for all our [resources for Parliament](#).

International work

- We carry out external audits of a range of international organisations.
- We are a member of the International Organisation of Supreme Audit Institutions ([INTOSAI](#)), the European Organisation of Supreme Audit Institutions ([EUROSAI](#)) and the Commonwealth Auditors General group
- We provide capacity-building support to Supreme Audit Institutions (SAIs) and overseas Parliaments, including sending experts overseas and hosting SAI visits to the UK.

Local public bodies: our responsibilities

- The Local Audit and Accountability Act 2014 gives the C&AG and the NAO responsibilities including preparing and consulting on the Code of Audit Practice, detailed [here](#).
- We have the power to examine the efficiency and effectiveness of central government expenditure from decision to service provision, including local bodies' use of resources.
- We also have a power to provide evaluation, commentary and advice of a general nature to local bodies.

Our website includes all reports for sectors such as [Local Services](#), [Community and Society](#) and [Health and social care](#). Key local service delivery reports are on our [Key issues](#) web-pages.



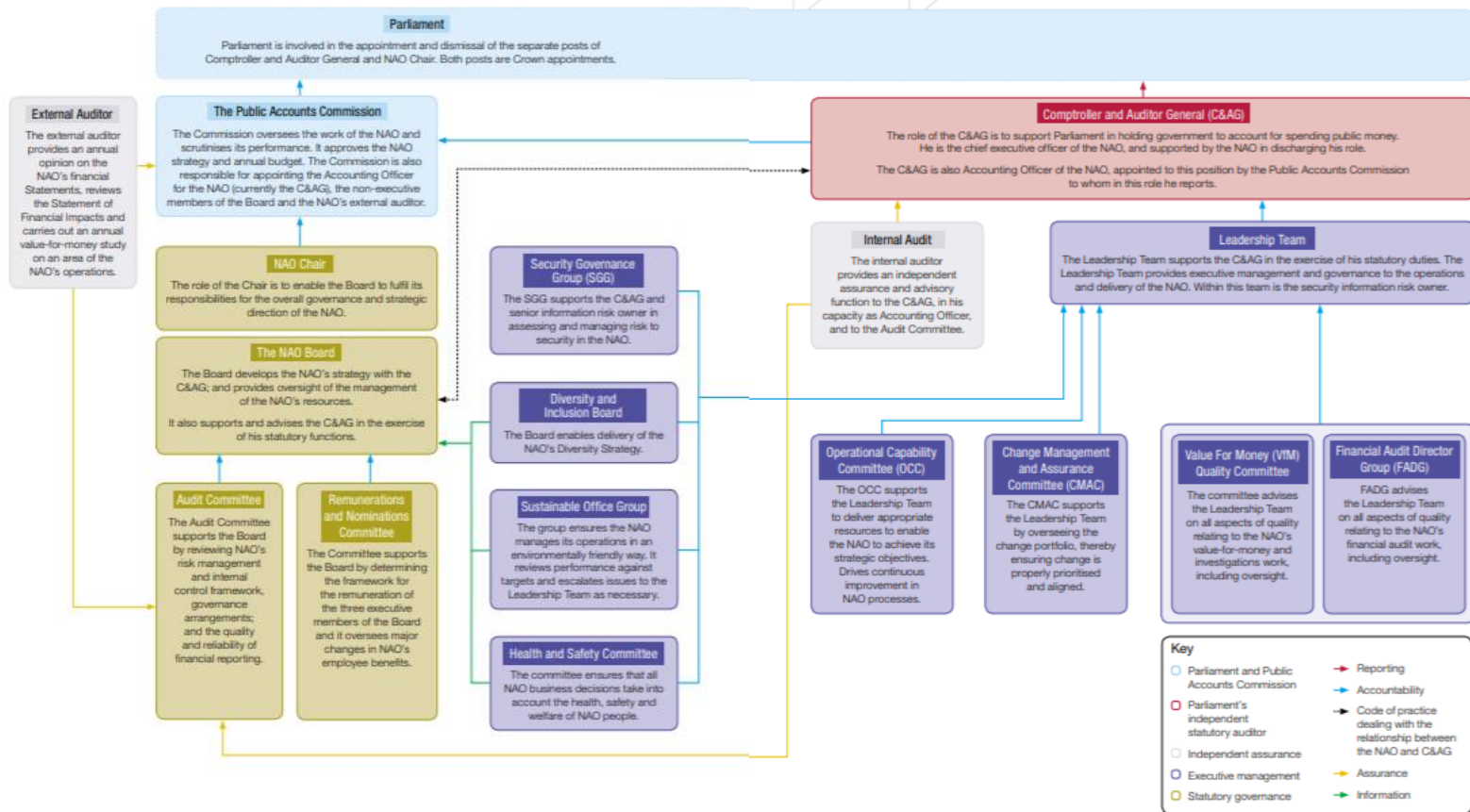
National Audit Office

Our governance

Governance

Our governance framework, including responsibilities for appointments and oversight, is set out on pp.62-3 of the [NAO Annual Report and Accounts 2017-18](#).

NAO governance framework



NAO board members

Non-executive members

Lord Michael Bichard Non-executive Chair

Janet Eilbeck Chair of the Audit Committee

Ray Shostak CBE Chair, Remuneration & Nominations Committee

Robert Sykes Non-executive member

Dame Clare Tickell Non-executive member

Executive members

Sir Amyas Morse KCB Comptroller and Auditor General

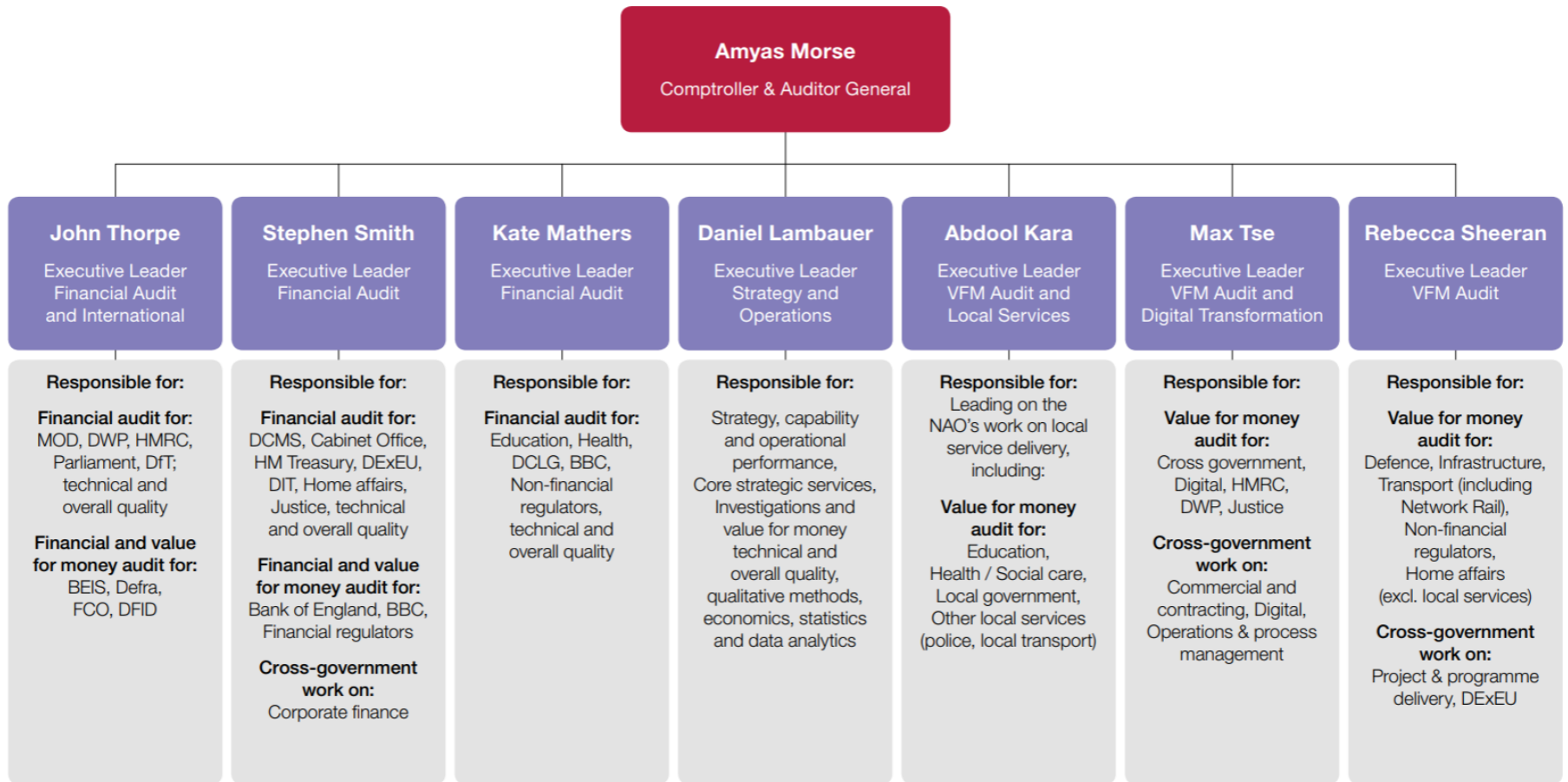
Daniel Lambauer Executive Leader, Strategy and Operations

Abdool Kara Executive Leader, Local Services

Kate Mathers Executive Leader, Financial Audit

See [NAO Board and Leadership Team](#) web-page for CVs.

NAO leadership team



See [NAO Board and Leadership Team](#) web-page for CVs.

Who has oversight of the NAO?

The Public Accounts Commission, a Committee of MPs:

- Approves our budget
- Appoints the non-executive board members
- Scrutinises costs and performance
- Appoints our external auditors
- Commissions value-for-money studies of our operations



National Audit Office

Other corporate information

Key corporate data

Inputs

In 2017-18 the NAO had 806 permanent employees (full-time equivalent), plus outside expertise

£66.6 million net resource spend

Outputs

370 accounts certified in 2017-18 (more than £1.6 trillion of public income and expenditure)

65 major reports to Parliament

Improvement and benchmarking advice

Detailed recommendations

Outcomes

Government accountability to Parliament for public expenditure

Recommendations that have improved public services

We helped government save £741 million in 2017

Our people

Our **806 staff** (full-time-equivalent) include:

- Accountants
- Statisticians
- Economists
- Social scientists
- Technical specialists, such as IT auditors

Details of our diversity and inclusion strategy and performance can be found on the [NAO Diversity and Inclusion Annual Report 2017-18](#) page.

Our role in the accountancy profession

We sit on the following boards and councils:

- HM Treasury's Financial Reporting Advisory Board ([FRAB](#))
- [CIPFA](#)¹/LASAAC² Local Government Accounting Code Board
- [ICAEW](#)³ Council and various ICAEW panels and committees
- [CIPFA](#) Council and various CIPFA panels and committees
- [FEE](#)⁴ Public Sector Sub Committee

¹ Chartered Institute of Public Finance and Accountancy

² Local Authority (Scotland) Accounts Advisory Committee

³ Institute of Chartered Accountants in England and Wales

⁴ Fédération des Experts-comptables Européens – Federation of European Accountants

Accreditations

We are proud that our commitment and achievements to creating a diverse and inclusive working environment have been recognised by these partners:

- Business Disability Forum
- Employers Network for Equality and Inclusion
- Stonewall
- Access Accountancy
- Disability Confident Scheme
- Windsor Fellowship
- Brokerage

Further information

- NAO website www.nao.org.uk
- Follow the NAO on Twitter [@NAOorguk](https://twitter.com/NAOorguk)
- Sign up for email alerts with [NAOdirect](#)
- NAO videos on [YouTube](#)
- [NAO Annual Report & Accounts 2017-18](#)
- [Public Accounts Commission](#)