



National Audit Office

**Department for Culture, Media and Sport**

Financial Management

Methodology

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**MARCH 2011**

# Methodology

**1** The National Audit Office developed a model of maturity in financial management, based on published methodologies, which was used in this assessment ([http://www.nao.org.uk/help\\_for\\_public\\_services/financial\\_management/fmmm.aspx](http://www.nao.org.uk/help_for_public_services/financial_management/fmmm.aspx)). The approach followed the principles set out in the Audit Commission Discussion Paper World Class Financial Management which was published in 2005 and broadly accepted by HM Treasury and other commentators. The toolkit identified a series of key statements on good financial management under the five main criteria of financial governance and leadership; financial planning; financial decision making; financial monitoring and forecasting; and financial and operational reporting.

**2** The main elements of our fieldwork, which took place between August and November 2010, were:

Selected method	Purpose
<p><b>1 Analysis of financial data</b></p> <p>We analysed the Department's annual accounts from 2005-06 to 2009-10.</p> <p>We examined capital and resource budgets as part of:</p> <ul style="list-style-type: none"> <li>● The Department's Resource Budget;</li> <li>● Parliamentary Supply Estimates; and</li> <li>● In-year expenditure management.</li> </ul> <p>In analysing the data, we examined areas including estimates, outturn, average cost of staff, forecasting, timeliness of reporting, cash balances, and Non-Departmental Public Bodies (NDPB) income.</p> <p>We examined the data and supporting documents underlying the outcome of the 2010 Spending Review, the Arm's-Length Bodies Review, and the closure of existing programmes.</p> <p>We examined the Department's in-year monitoring by reviewing the grant-in-aid draw-down requests received from each arm's-length body for the month of November 2010.</p>	<p>To gather evidence about the Department's spending patterns over time, the extent to which the Department manages its budgets, the extent to which the Department informs its decision making, the outcome of the Spending Review and the pattern of grant-in-aid draw-down.</p>

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**Selected method**
**2 Document review**

We reviewed key documents from the Department, both published and unpublished, including:

- Board and Audit Committee minutes by analysing the topic discussed and the amount of time scheduled for discussion of these on the agenda.
- Board papers and risk registers.
- Minutes of the Investment Committee and the Business Cases presented to it for review.
- Departmental papers supporting the 2010 Spending Review and Arm's-Length Body Review.
- Departmental papers supporting the review of all project decisions made by the previous Government in 2010.
- Departmental papers supporting the establishment of United Kingdom Anti-Doping Limited.
- Papers and minutes of the Finance Directors Working Group.
- The data underlying the National Audit Office's report on NDPB Performance Reporting to Departments which included an examination of the reporting frameworks of nine of the Department's NDPBs.
- Framework documents, such as Management Statements and Financial Memoranda, for a range of arm's-length bodies.
- The Department's risk assessments of its arm's-length bodies.

**Purpose**

To gather evidence about:

- The financial information presented to the Board and the use made of it.
  - The risk management process and the associated information available to senior management.
  - The Department's oversight of capital investment.
  - The financial analysis provided to decision-makers in respect of the Spending Review, the Arm's-Length Body Review and the review of all project decisions made by the previous Government in 2010.
  - The sharing of best practice and information across arm's-length bodies.
  - The perceptions of a range of arm's-length bodies about the oversight and support provided by the Department.
  - The framework documents in place with arm's-length bodies.
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**Selected method**
**3 Interviews**

We conducted semi-structured interviews with 32 individuals at the Department for Culture, Media and Sport during October and November 2010, held at the Department's offices.

We interviewed senior staff in the Department with responsibilities covering:

- Finance, including the Head of Finance and the Finance Director
- Corporate Services, including the Head of Human Resources and the Head of Procurement
- Evidence and Analysis, including the Head of the Evidence and Analysis Unit

We interviewed sector teams in the arts, culture and lottery sectors covering sponsorship of the following arm's-length bodies:

- Arts Council England
- Museums, Libraries and Archives Council
- National Museums Liverpool
- Royal Armouries
- British Museum
- Imperial War Museum
- National Gallery
- National Maritime Museum
- National Portrait Gallery
- Tate Gallery
- Museum of Science and Industry in Manchester
- National Museum of Science and Industry
- Natural History Museum
- Victoria and Albert Museum
- Big Lottery Fund

We interviewed the project team responsible for establishing United Kingdom Anti-Doping Limited.

We interviewed the senior member of staff responsible for the Spending Review and the team responsible for the Arm's-Length Bodies Review, including the Director-General of Programmes and the Director of Culture.

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**Purpose**

To gather evidence about the Department's:

- Governance structures
- Budgeting and planning
- Preparation of supply estimates
- Financial monitoring and forecasting
- Oversight of arm's-length bodies
- Information presented to decision makers
- Strategic and operational risk management
- The Spending Review
- The Arm's-Length Bodies Review