



National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department for Culture, Media and Sport 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide a summary of the work by the National Audit Office on the Department since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws out the key points from the Department's Annual Report and Accounts for 2010-11 and material from other published sources where relevant. The content of the briefing has been shared with the Department, but is the sole responsibility of the NAO.

In September 2010, we produced a Performance Briefing for the Committee¹ to support its evidence session on the Department's 2009-10 Annual Report and Accounts. The briefing focused on the Annual Report itself as well as the Structural Reform Plan and other NAO work and published information.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

1 Departmental Performance Brief for Select Committee http://www.nao.org.uk/publications/1011/briefing_dcms.aspx

Part One

About the Department

The Department's responsibilities

1 The Department for Culture, Media and Sport (the Department) is responsible for government policy on the arts, sport, broadcasting and the creative industries, and is the lead department for the London 2012 Olympic Games and Paralympic Games. It also has responsibility for the National Lottery, tourism, libraries, museums and galleries, press freedom and regulation, licensing, gambling and the historic environment.

How the Department is currently organised

2 Within the Department, the Government Olympic Executive leads the Government's preparations and management of the London 2012 Olympic Games and Paralympic Games. The rest of the Department is responsible for the other policy areas.

3 In June 2010, the Department was required to find in-year reductions of £88 million across its activities to contribute to the £6 billion reduction in expenditure across government. The 2010 Spending Review² subsequently announced that the Department needed to reduce overall resource spending by 24 per cent by 2014-15 from the original 2010-11 baseline.³ The Department will also reduce its core administrative costs by 50 per cent in real terms over the period.

4 The Department is responsible for 51 public bodies that help deliver its strategic aims and objectives (Appendix 1). The largest include the Olympic Delivery Authority, Arts Council England, English Heritage, Sport England and the British Library. A key challenge for the Department is how to deliver its objectives through a large number of bodies.

5 As part of the Government's aim to increase the efficiency, transparency and accountability of arm's-length bodies, the Department reviewed the status of all its bodies in July 2010.⁴ It has decided to merge or abolish 19 bodies, making changes from April 2011.

Where the Department spends its money

6 The Department's expenditure is shown in **Figure 1** overleaf. The Olympics is its largest programme. The Digital Switchover programme is also due to be completed in 2012, and the Department has a new project underway to deliver universal superfast broadband.

7 With an immovable deadline less than a year away, **the London 2012 Olympic Games and Paralympic Games** represent a significant challenge for the Department. In July 2010, the overall public sector funding package for the Games was reduced by £27 million, from £9,325 million to £9,298 million. The Department also published the Legacy Plan⁵ which details how it aims to create a legacy after the Games, primarily through increased participation in sport and continuing regeneration and economic growth in East London.

8 Digital Switchover from analogue to fully digital television is due to be completed in 2012. The Scheme is currently on track⁶ with eight of the 15 regions switched over so far. The Digital Switchover programme is delivered by Digital UK, an independent, not-for-profit organisation. Through £600 million ring-fenced within the BBC licence fee settlement, the BBC has provided for the cost of the Switchover Help Scheme, which is running under budget. In 2008,⁷ we reported that take up of assistance offered through the Help Scheme was lower than anticipated. The Department is forecasting the projected final cost to be around £300 million.

² *Spending Review 2010* http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf

³ Data from DCMS Annual Report and accounts 2010-11 http://www.dcms.gov.uk/images/publications/Annual_Report_and_Accounts_2010_11.pdf

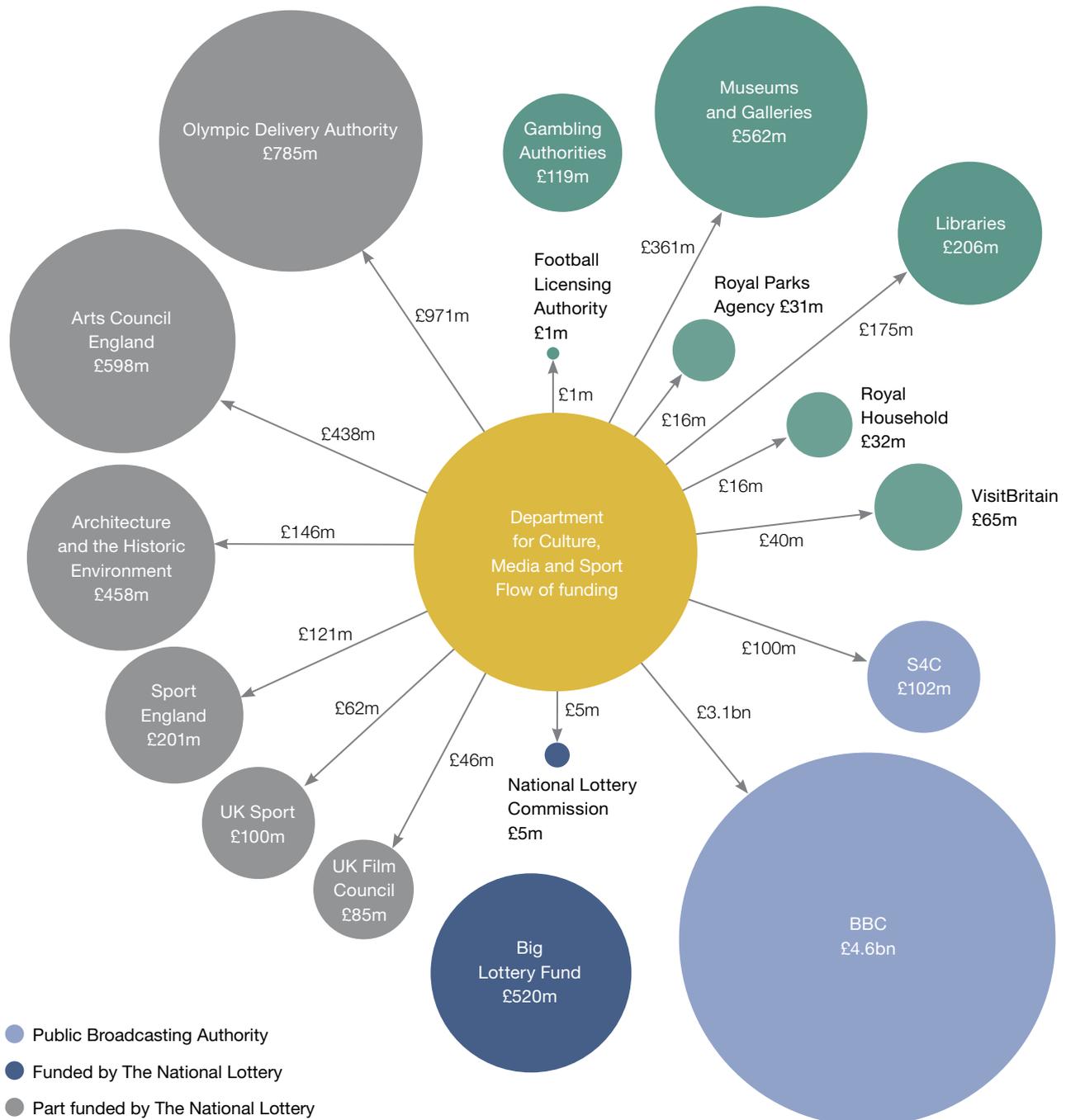
⁴ Ministerial Statement http://www.culture.gov.uk/images/publications/100726MWS_DCMSarmslengthbodies.pdf

⁵ Plans for the legacy from the 2012 Olympic and Paralympic Games http://www.culture.gov.uk/images/publications/201210_Legacy_Publication.pdf

⁶ Digital UK annual report 2011 <http://www.digitaluk.co.uk/annualreport>

⁷ *Preparations for Digital Switchover* http://www.nao.org.uk/publications/0708/preparations_for_digital_switc.aspx

Figure 1
Where the Department spends its money



NOTE

- 1 Circles show each body's expenditure in 2010-11. Arrows show how much money the Department gave to each body in 2010-11.
- 2 We have used expenditure figures from 2009-10 for the following bodies: Gambling Authorities: Horserace Betting Levy Board; Museums and Galleries: Horniman Public Museum and Public Park Trust.
- 3 The Department sets the level of the television licence fee, which is collected by the BBC and paid into the Consolidated Fund. The revenue collected is passed back to the BBC as grant-in-aid from the Department.
- 4 In addition to the £785 million spending in 2010-11, the Olympic Delivery Authority capitalised £1.1 billion of expenditure related to Olympic venues and other infrastructure related to the Olympics.

9 The Department aims to deliver **superfast broadband** to all parts of the UK and create the best broadband network in Europe by 2015. It plans to spend £530 million of public money that will be distributed by Broadband Delivery UK, a team within the Department.⁸ The Department identified four rural areas in October 2010⁹ to pilot superfast broadband, and in May 2011 announced funding to three more rural areas.¹⁰

Recent developments

10 Sale of the Horserace Totalisator Board (the Tote):

The sale of the Tote to BetFred was agreed on 3 June 2011 for £265 million,¹¹ after an open market bidding process.¹² Following deductions to pay off debts and the pension deficit, the Department estimates that BetFred will pay the Government around £180 million. To recognise the support the Tote currently provides to the racing industry, the Government has agreed to give 50 per cent of this to the racing industry, subject to compliance with EU state aid regulations.

11 There have been several recent changes in the **media** sector:

- **Local television:** The Department aims to license the first local television stations from summer 2012, with 10 to 20 local services in operation by 2015.¹⁴ This is part of the Government's commitment to decentralise broadcasting and increase the provision of locally tailored television services. Ofcom will have responsibility for selecting the local services.¹⁵ The Government is currently consulting on the legislative proposals.
- **National Audit Office (NAO) access to the BBC:** In May 2010, the Government announced that it would give the NAO full access to the BBC accounts to ensure transparency. The Culture, Media and Sport select committee has been a firm advocate of NAO access to the BBC and in its report **BBC Licence Fee Settlement and Annual Report** (HC 454, Fourth Report of Session 2010–12) urged the Government to give the NAO 'all the powers it needs to provide independent assessments of the value for money of BBC expenditure' and stated that these should be reported direct to Parliament. In September 2011 the Secretary of State laid before Parliament a revised framework agreement between the Government and the BBC to implement the provisions of the October 2010 TV licence fee settlement and address the Government commitment to provide the NAO with full access to the BBC's accounts. This revised agreement gives the NAO a right of access to information held by the BBC and the ability to determine which areas of BBC expenditure it wishes to scrutinise. It maintains the requirement that NAO reports must be submitted to the BBC Trust, which responds to the reports before transmitting them to the Secretary of State for laying in Parliament.
- **Transfer of responsibilities:** In April 2011, responsibility for competition and policy issues relating to media, broadcasting, digital and telecoms sectors were transferred to the Department for Culture, Media and Sport from the Department for Business, Innovation and Skills.¹³ The transfer also includes responsibility for broadband policy and delivery, sponsorship of Office of Communications (Ofcom) (excluding postal regulation) and the Digital Switchover scheme.

8 Britain's Superfast Broadband Future <http://www.culture.gov.uk/images/publications/10-1320-britains-superfast-broadband-future.pdf>

9 DCMS Press release http://www.culture.gov.uk/news/news_stories/7509.aspx

10 DCMS Press release http://www.culture.gov.uk/news/media_releases/8167.aspx

11 DCMS Press Release http://www.culture.gov.uk/news/media_releases/8184.aspx

12 DCMS Ministerial Statement http://www.culture.gov.uk/news/ministers_speeches/8186.aspx

13 DCMS Press Release http://dcms.gov.uk/news/news_stories/7721.aspx

14 DCMS Local TV information http://www.culture.gov.uk/what_we_do/broadcasting/7235.aspx

15 Local TV Q&A http://www.culture.gov.uk/what_we_do/broadcasting/7722.aspx

12 Tourism Strategy: The Government's new tourism strategy,¹⁶ published in March 2011, sets out plans to make tourism a central part of Britain's growth strategy, making the most of the economic opportunities represented by the London 2012 Olympic Games and Paralympic Games and the Queen's Diamond Jubilee. The strategy builds on the Government's plan to generate four million extra overseas visitors over the next four years, bring in an extra £2 billion worth of visitor spend and help create 50,000 new jobs across the country.

13 The Department has introduced new proposals on the **National Lottery** and on encouraging **philanthropy**:

- **National Lottery Reforms:** In October 2010, the Department announced¹⁷ changes to the shares of National Lottery proceeds for the 'good causes'. From April 2012, the shares for arts, heritage and sport will each increase from 16.66 per cent to 20 per cent, with the Big Lottery Fund's share reducing from 50 per cent to 40 per cent. The Department has also issued the Big Lottery Fund with a new policy direction¹⁸ to place greater focus on funding projects in the voluntary and community sector.
- **Giving White Paper:** The Giving White Paper,¹⁹ published in May 2011, aims to develop Britain's culture of philanthropy by working with charities and businesses to support new ways for people to give to charity.²⁰ The Paper includes a commitment²¹ to provide over £40 million of funding over the next two years to support volunteering, giving and volunteering infrastructure.

Risks and challenges

Operational risks

14 The key deliverable for the Department is the safe and timely delivery of the **London 2012 Olympic Games and Paralympic Games**. Delivering the Games and the supporting infrastructure to a fixed deadline is challenging. Our February 2011 report **Preparations for the London 2012 Olympic and Paralympic Games**²² found that, overall, the preparations for the Games, which the Department's Government Olympic Executive oversees, were going well. Although there were some time pressures, the Olympic Delivery Authority remained on course to deliver its construction programme on time. Good progress had also been made in establishing a coordinated approach to the wider operational planning of the London 2012 programme. The report also noted, however, the inherent risk that, given the natural priority of delivering successful Games to an immovable deadline, legacy ambitions would suffer.

Corporate risks

15 The Department has started a four-year **change programme** to manage and coordinate how it will respond to a 50 per cent reduction in its administration budget by 2014-15. Its stated aim is to meet its reduction targets with a motivated and diverse workforce, and to prioritise its major projects, including the London 2012 Olympic and Paralympic Games. The change programme has already led to a significant restructuring of the Department, a reduction in the number of senior positions, and a flexible staffing model. A major risk for the Department is managing the change programme so that it does not lose key staff, knowledge and expertise, or lead to a decline in staff morale and motivation. The Department has a programme board in place to help manage the risks and measure the benefits.

16 Government Tourism Policy http://www.dcms.gov.uk/images/publications/Government2_Tourism_Policy_2011.pdf

17 DCMS Press Release http://www.culture.gov.uk/news/media_releases/7489.aspx

18 DCMS Press Release http://www.culture.gov.uk/news/media_releases/7627.aspx

19 Giving White Paper <http://www.cabinetoffice.gov.uk/sites/default/files/resources/giving-white-paper2.pdf>

20 DCMS Press Release http://www.culture.gov.uk/news/news_stories/8146.aspx

21 Cabinet Office Press Release <http://www.cabinetoffice.gov.uk/news/giving-white-paper-%E2%80%93-making-it-easier-to-take-part-bigger-stronger-society>

22 *Preparations for the London 2012 Olympic and Paralympic Games: Progress report*, February 2011 http://www.nao.org.uk/publications/1011/preparations_for_the_2012_olym.aspx

Capability and leadership

16 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.²³ Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

17 All self-assessments are due for completion by March 2012, with the first self assessment nearing completion. In addition to self assessment, departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.

18 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the second annual people survey for the Department for Culture, Media and Sport – which took place in October 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 2** overleaf). Results of 17 major departments are in Appendix Two.

19 As part of the annual survey, each department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it and are motivated to do the best for the organisation. In 2010, the Department for Culture, Media and Sport achieved an engagement index of 54 per cent, 2 percentage points lower than last year and three percentage points lower than the 2010 civil service average. The survey was conducted during a time of substantial organisational change and uncertainty.

²³ More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability/index.aspx

Figure 2
2010 Civil Service People Survey: Department for Culture, Media and Sport

Theme	Theme score (% positive) ¹	Difference from 2009 survey	Difference from Civil Service 2010 ²
Leadership and managing change			
I feel that the Department as a whole is managed well	38	+12	-3
Senior Civil Servants in the Department are sufficiently visible	62	+15	+17
I believe the actions of Senior Civil Servants are consistent with the Department's values	43	+13	+3
I believe the Departmental Board has a clear vision for the future of the Department	25	+4	-10
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	33	+7	-3
I feel that change is managed well in the Department	29	+14	+1
When changes are made in the Department they are usually for the better	12	-3	-11
The Department keeps me informed about matters that affect me	68	+9	+14
I have the opportunity to contribute my views before decisions are made that affect me	48	+1	+16
I think it is safe to challenge the way things are done in the Department	44	+2	+5
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	71	+8	-13
I have a clear understanding of the Department's objectives	67	+9	-10
I understand how my work contributes to the Department's objectives	70	+3	-11

NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: Department for Culture, Media and Sport People Survey Results Autumn 2010

Part Two

Financial management

20 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations have to publish Statements on Internal Control²⁴ with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

Financial outturn for 2010-11 and comparison with estimate

21 The Department's Supply Estimate for 2010-11 was £2,030 million,²⁵ which included £1,023 million for costs related to the London 2012 Olympic Games and Paralympic Games.²⁶ The Department's estimate²⁷ was 2.8 per cent higher than the £1,975 million estimate for expenditure in 2009-10. This was mainly due to additional planned expenditure on the Games as the construction stage nears completion.

22 The Department reported gross expenditure of £2,687 million and received income of £736 million in 2010-11, giving reported net expenditure (gross expenditure less income) of £1,951 million, against the estimate of £2,030 million. The majority of income reported was received from other government departments in the form of funding for the Games. Net expenditure was 2.5 per cent higher than the £1,904 million reported in 2009-10, due in the main to additional spending on the Games, although there were reductions in other areas of the Department.

23 In both 2009-10 and 2010-11, the Department underspent against its estimated net expenditure – by £72 million (3.6 per cent) in 2009-10 and £78 million (3.9 per cent) in 2010-11. The £78 million underspend in 2010-11 was due to:

- a £52 million underspend on grant in aid paid by the Department to the Olympic Delivery Authority. This was because the Delivery Authority had a higher than anticipated level of un-invoiced expenditure at the end of 2010-11, which meant that the Department was not required to pay out as much cash to the Delivery Authority as originally anticipated; and
- the remaining underspend is mainly attributable to a reduction in the amount of cash paid by the Department to arm's-length bodies during the year.

24 The Department reported administrative expenditure of £55.5 million in 2010-11, which is around 2 per cent of its gross Departmental expenditure (excluding the BBC). This is down from the £57 million reported in 2009-10. Administration expenditure for 2010-11 is made up of:

- staff costs of £27.7 million; and
- other administrative costs of £27.8 million.²⁸

Staff costs include the costs of the Department's 473 permanently employed full time equivalent staff and 133 other staff including temporary staff.

25 Of the £1,867 million of the Department's expenditure that can be identified as being spent on services within a particular nation or region within the UK, £1,559 million (84 per cent) is spent within England, with around £306 million going to Scotland, Wales and Northern Ireland.

²⁴ From 2011-12, Departments will produce a Governance Statement rather than a Statement on Internal Control.

²⁵ Spring Supplementary Estimates p483 – http://www.hm-treasury.gov.uk/d/springsupps1011_dcms.pdf

²⁶ This excludes the £3,123 million grant paid to the BBC in respect of the net licence fees collected.

²⁷ Excluding that relating to the BBC.

²⁸ Other administrative costs include rentals under operating leases (£7 million), redundancy costs (£5.7 million), building services (£4 million), IT maintenance and support (£3.5 million), depreciation and amortisation (£3.1 million).

26 The Department sets the level of the television licence fee, which is collected by the BBC and paid into the Consolidated Fund. The revenue collected is passed back to the BBC as grant-in-aid from the Department. The Department reported total expenditure on the BBC of £3,102 million in 2010-11, which was an increase of 2.7 per cent on the £3,021 million reported in 2009-10. Outturn in 2010-11 was underspent against the estimate by £21 million, because the increase in licence fee revenue was less than anticipated when the estimate was prepared.

Progress on efficiency

27 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they will have to look beyond immediate short-term savings and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our **Short Guide to Structured Cost Reduction**,²⁹ published in June 2010, sets out the high level principles that we expect departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including, having a data-driven approach to understanding, comparing and interrogating costs.

28 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,³⁰ **Progress in improving financial management in government**,³¹ and **Taking the measure of government performance**.³²

29 To facilitate its budget cuts, the Department and several of its major arm's-length bodies plan to reduce their core administration costs by 50 per cent in real terms by 2014-15. The Department intends to make its savings by reducing accommodation, facilities management and other central non-pay costs and by reducing its headcount. The Department reduced

the number of staff by 30 by the end of 2010-11. The average number of staff permanently employed by the Department in 2010-11 has fallen by 4.25 per cent from the average 2009-10 level, but there has been a 10 per cent increase in the number of other staff including temporary staff and secondees. These increases reflect the additional resources needed for the Government Olympic Executive in the period running up to the Games. The Department plans to make further reductions after the Games, including the winding down of the Government Olympic Executive.

NAO reports on financial management and efficiency

30 During the last year, we have examined several aspects of the Department's financial management. We have reported separately on the Olympic programme and the core Department.

31 Regarding the Games, our February 2011 report on **Preparations for the London 2012 Olympic and Paralympic Games**³³ found that, with its programme well advanced, the Olympic Delivery Authority and the Department's Government Olympic Executive had greater confidence in the Delivery Authority's financial projections, and as a result £778 million of the £8,099 million funding originally available to it had been released back to the Government Olympic Executive which oversees the Public Sector Funding Package for the programme. The report concluded that, while the final cost was inherently uncertain, on the basis of the Department's assumptions the £9.3 billion Funding Package for the Games, overseen by the Department, should be sufficient.

32 We found that the core Department's Finance team had improved the standard of its financial management in certain areas.³⁴ In particular, it had made improvements to the controls over capital funding and to its internal administrative budgeting process. The Finance team, however, needed to strengthen the role it played in key policy decisions and have greater influence within the Department.

29 http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

30 National Audit Office, *Managing risks in government*, June 2011 (http://www.nao.org.uk/publications/1012/managing_risks_in_government.aspx)

31 National Audit Office, *Progress in improving financial management in government*, HC 487, 2010-11

32 National Audit Office, *Taking the measurement of government performance*, HC 284, 2010-11

33 *Preparations for the London 2012 Olympic and Paralympic Games: Progress report*, February 2011, http://www.nao.org.uk/publications/1011/preparations_for_the_2012_olymp.aspx

34 *Financial Management in the Department for Culture, Media and Sport* http://www.nao.org.uk/publications/1011/financial_management_in_dcms.aspx

33 Finance and performance reporting: From 2010, the core Department provided a new format of finance and performance reports to its Board, based on the Secretary of State's priorities, although we considered that it did not provide sufficient information on the wider aspects of Departmental performance.³⁵ The Department had, however, improved risk management at an operational level, although it was unclear how the escalation of operational risks to the Department's Strategic Risk Register is working in practice. The Strategic Risk Register itself had significant omissions and did not focus on controls mitigation or the financial impact of risks.

34 Oversight of arm's-length bodies: The Department faces a substantial challenge in providing effective financial oversight of its arm's-length bodies which differ in size, influence and risk, particularly as its own resources are decreasing.³⁶ Whilst the Department had developed a risk assessment of the bodies, it needed to incorporate these assessments into its monitoring activities, such as regular requests for information, and use them to inform the level of its engagement with them.

35 The Department needed more clarity on the financial information it requires to oversee relationships with its arm's-length bodies appropriately. Many of the framework agreements with which its bodies must comply needed updating, which the Department was planning to do.

36 Making budget reductions: In the 2010 Spending Review, the Department applied graduated reductions across a number of its arm's-length bodies and programmes, although cut the budgets of the museums and galleries and other bodies by a standard flat rate.³⁷ The Department is making a 50 per cent cut in its own administration costs as are a number of larger bodies. While the Department was influenced by the desire to make quick decisions, the use of standard flat rates did not differentiate sufficiently between the existing cost bases of the different bodies, although access to reserves and restructuring funds may address this going forward.

NAO financial audit findings

37 We audit the accounts of the Department and most of its arm's-length bodies. Our audit work involves understanding the business of each organisation, examining internal controls, agreeing accounting policies, auditing transactions, liabilities and assets and confirming that the accounts present a true and fair view. We also consider whether the transactions are in accordance with Parliament's intentions.

38 The Department's resource accounts were certified by the Comptroller and Auditor General on 13 July 2011. In each of the last six years, we have given an unqualified audit opinion on the Department's accounts and have not qualified any of the bodies' 2010-11 accounts certified to date. The Department's accounts were certified prior to the Parliamentary summer recess, and of the 46 bodies whose financial statements are audited by the Comptroller and Auditor General, 41 were certified before the summer recess.

39 For 2010-11, the BBC Television Licence Fee Trust Statement was produced and audited for the first time. The Department sets the level of the licence fee, which is collected by the BBC and paid into the Consolidated Fund. The Trust Statement reports the television licence fee revenue collected by the BBC during the year together with the amounts surrendered to the Consolidated Fund. We gave an unqualified opinion on the Trust Statement, and confirmed that adequate regulations and procedures were in place to secure an effective check on the assessment and collection of licence fee revenue.

35 *Financial Management in the Department for Culture, Media and Sport* http://www.nao.org.uk/publications/1011/financial_management_in_dcms.aspx

36 DCMS Financial Management Review http://www.nao.org.uk/publications/1011/financial_management_in_dcms.aspx

37 DCMS Financial Management Review http://www.nao.org.uk/publications/1011/financial_management_in_dcms.aspx

40 Looking forward to 2011-12, HM Treasury is changing government's financial reporting and budgeting processes, a reform called the Alignment Project. This will require all departments to produce consolidated accounts that will incorporate the results and assets of their arm's-length bodies. This will be a particularly complex challenge for the Department as it will need to include over 50 bodies with differing accounting frameworks.

Issues raised in the Statement on Internal Control

41 We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance.

42 The Statement on Internal Control is the means by which the Accounting Officer declares his or her approach to, and responsibility for, risk management, internal control and corporate governance. It is also the vehicle for highlighting weaknesses which exist in the internal control system within the organisation and forms part of the Annual Report and Accounts.³⁸

43 Three issues were raised by the Accounting Officer for the Department in the 2010-11 Statement on Internal Control:

- The transfer of competition and policy issues relating to media, broadcasting, digital and telecoms sectors into the Department has raised both short-term operational risks and longer-term strategic risks. The Department worked with the Department for Business, Innovation and Skills and has a project team to manage the transition and reduce risks.
- In October 2010, the Department announced the abolition or reform of 19 of its then 55 arm's-length bodies.³⁹ During the remainder of the current Spending Review period, the Department's Arm's-Length Bodies Programme Board is tasked with ensuring that the benefits the Department expects from reforms are delivered. Major risks include emerging liabilities associated with closure of bodies, protection of core functions, and the relationship the Department has with its bodies during the downsizing of the Department.
- As part of its scrutiny of the National Museums Liverpool's 2009-10 Annual Report and Accounts, the NAO raised concerns about the governance and management of the Museum of Liverpool capital build project, and in particular the completeness of information provided to the auditors. The Department supported the NAO's decision to conduct a review and, while the Museum's accounts were subsequently certified without qualification, potential process improvements have been explored, including when and how matters should be brought to the attention of, or approved by, the Department.

38 The Statement on Internal Control: A Guide for Audit Committees (January 2010) http://www.nao.org.uk/publications/0910/statement_on_internal_control.aspx

39 DCMS new release on arm's-length bodies reforms (October 2010) http://www.culture.gov.uk/news/media_releases/7485.aspx

Part Three

Use of information

44 Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

45 The Coalition Government have pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

46 Each government department now reports its performance against the priorities and objectives set out in its Business Plan. A transparency section of the Plan includes performance indicators selected by the department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- input indicators: a subset of the data gathered by the department on the resources used in delivering services; and
- impact indicators: designed to help the public judge whether departmental policies are having the desired outcome.

47 A structural reform section of the Plan provides a detailed list of actions and milestones designed to show the steps the department is taking to implement the Government's reform agenda.

48 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve. However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

49 It is too early to comment on departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts⁴⁰ identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

⁴⁰ *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

Performance reported by the Department

50 The Department's Business Plan⁴¹ sets out its key priorities for 2011-15, and provides details of its Structural Reform Plan. It specifies the indicators which the Department believes are most useful to the public in understanding the costs and outcomes for the culture, media and sport sectors. Input indicators include progress towards delivery of the London 2012 Olympic and Paralympic Games. Impact indicators include the proportion of children participating in competitive sport. The input and impact indicators developed by the Department do not cover all of its key priorities, and the majority are new data measurements, so are yet to be measured and reported against.⁴² The Department also issues a Quarterly Report on progress in delivering the Olympic and Paralympic Games.

51 In the most recently published data on its performance,⁴³ the Department reported that it had completed eight actions from its Structural Reform Plan. Another 36 actions were ongoing, one was yet to start, and two actions were overdue.⁴⁴

Testing the reliability of performance data across government

52 Some of the data systems used to report against the new performance indicators will be the same as those already being used by the Department to report against Public Service Agreements. In July 2010, we published our Sixth Validation Compendium Report⁴⁵ on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

53 Over the next three years we will complete work to validate the data systems underpinning the Departmental business plans and other key management information.

Use of information by the Department

54 During the last year, our reports have examined how information is used by the Department and its arm's-length bodies.

55 Information for financial management:

We found that, due to the number of bodies from which it collects information, the Department faces a significant challenge in obtaining up-to-date financial information on which to base its decisions.⁴⁶

- **Information provided to the Board:** In 2010, the Department adopted a consistent format for reporting financial information to its Board. Although information was now more easily comparable, the NAO report found that there were some gaps in the information reported which prevented the Board from examining the Department's financial position in full.
- **Arm's-length bodies:** At the time of the Spending Review, the Department did not have full financial information about the cost of merging or closing bodies, such as on the penalties of cancelling contracts or the cost of settling pension liabilities, and was therefore not in a position to estimate reliably the cost of closing its bodies.
- **Use of information for key decisions:** The Department has established an Investment Committee to strengthen control of its capital budget. It provides a common set of data for making investment decisions across all its arm's-length bodies.

41 DCMS Business Plan <http://www.number10.gov.uk/wp-content/uploads/DCMS-Business-Plan1.pdf>

42 Further information on input and impact indicators <http://dcms.gov.uk/images/publications/DCMS-Indicators-measurement-2011.xls>

43 The performance data has not been audited.

44 DCMS Business Plan Quarterly Data Summary, July 2011, <http://www.culture.gov.uk/publications/8312.aspx>

45 *Taking the measure of government performance* www.nao.org.uk/publications/1011/government_performance.aspx

46 *Financial Management in the Department for Culture, Media and Sport* http://www.nao.org.uk/publications/1011/financial_management_in_dcms.aspx

56 Information for performance management:

Our report on participation in sport⁴⁷ looked at the extent to which the funding provided by the Department through Sport England, an arm's-length body sponsored by the Department, had resulted in increased participation in sport in the past and how the Department and Sport England planned to increase participation by March 2013. We found that the Department had set clear objectives for Sport England that were aligned with its own aims and Sport England's performance reports addressed these objectives. It also found that Sport England's process for allocating funding and targets to individual National Governing Bodies for the period 2008-09 to 2012-13 was well-developed in that it took into account a range of evidence and drew on expertise from within Sport England and across the sport sector. However, while Sport England decided to fund interventions in sports at a range of costs, it did not have criteria against which it could assess the trade-offs involved in funding participation in different sports.

47 *National Audit Office Increasing participation in sport* http://www.nao.org.uk/publications/1011/sports_participation.aspx

Part Four

Service delivery

57 Public services are different in the ways they are delivered but their quality and cost-effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues. We summarise below some of this work, organised by key areas of the Department's business.

58 We have continued our work examining progress in preparing for the **London 2012 Olympic Games and Paralympic Games**, which is the Department's largest project. In February 2011, we published our fifth report⁴⁸ which examined progress across the Olympic Delivery Authority's construction programme, how the Government was coordinating the Olympic programme, the legacy from the Games, and the cost of the Games. Our first report in February 2007 identified the key risks and challenges in preparation for the 2012 Games.⁴⁹ The second report, published in July 2007, looked at the revised £9.3 billion public sector funding package for the Games, announced in March 2007.⁵⁰ Two further reports in June 2008 and February 2010 focused on progress across the Olympic programme.⁵¹ They reported that progress on the preparation for the Games was going well but that risks needed to be managed.

59 In this fifth report we found that the Olympic Delivery Authority had maintained good progress with preparations for the Games and that five of the 24 main projects had been delivered with the rest expected to be completed on time. Coordination across the programme was much better developed but, whilst the Public Sector Funding Package of £9,298 million was still deemed sufficient, as the Games approached there would be less flexibility to make savings in response to unforeseen financial pressures. As a result, tight controls needed to be maintained over the remaining contingency.

60 As guarantor, the Government has always been financially exposed if the London Organising Committee for the Olympic Games (LOCOG) does not break even, and while progress had been made in firming up LOCOG's finances, there remained a risk that significant pressures could lead to a call on the Government's guarantee. There had been progress towards delivering a legacy from the Games, particularly on use of the Olympic Park and some venues, but there remained an inherent risk that, given the natural priority of delivering successful Games to an immovable deadline, legacy ambitions would suffer.

48 *Preparations for the London 2012 Olympic and Paralympic Games: Progress report February 2011* http://www.nao.org.uk/publications/1011/preparations_for_the_2012_olym.aspx

49 *Preparations for the London 2012 Olympic and Paralympic Games – Risk assessment and management* (February 2007) http://www.nao.org.uk/publications/0607/preparations_for_the_olympics.aspx

50 *The budget for the London 2012 Olympic and Paralympic Games* (July 2007) http://www.nao.org.uk/publications/0607/the_budget_for_the_london_2012.aspx

51 *Preparations for the London 2012 Olympic and Paralympic Games: Progress report June 2008* http://www.nao.org.uk/publications/0708/preparations_for_london_2012.aspx

Preparations for the London 2012 Olympic and Paralympic Games: Progress report February 2010 http://www.nao.org.uk/publications/0910/2012_olympics.aspx

61 The Department has an ambition to **increase participation** in culture and sport. In our report on sports participation last year,⁵² we noted that it had a target to get two million more adults more active by March 2013.⁵³ As part of the targeted two million increase in people taking part in sport or physical activity, Sport England had been tasked with delivering one million more people doing at least 30 minutes of sport three times a week by March 2013, starting from a baseline of 6.85 million adults.⁵⁴ The report examined the extent to which the funding provided by the Department through Sport England had resulted in increased participation in sport and how the Department and Sport England planned to increase participation by March 2013, whilst observing that Sport England did not have control over all of the factors which may lead to participation.

62 The report found that Sport England had a well-developed and improved funding assessment process for individual sports which offered the prospect of improved value for money. One year into Sport England's five-year delivery period, an additional 115,000 people were participating in sport, against a forecast of 160,000 additional participants. However, we noted that in pursuing its target of securing an additional one million participants whilst increasing the range of sports it funds, Sport England's ability to make judgements on funding priorities between sports – and so to maximise value for money – would be strengthened if it had clear criteria for evaluating funding allocations between sports.

52 National Audit Office, Increasing participation in sport http://www.nao.org.uk/publications/1011/sports_participation.aspx

53 Before, during and after: making the most of the London 2012 Games (June 2008) <http://webarchive.nationalarchives.gov.uk/http://www.culture.gov.uk/images/publications/2012LegacyActionPlan.pdf>

54 The baseline was set in December 2008 http://www.sportengland.org/research/active_people_survey/active_people_survey_2.aspx

Appendix One

Department's sponsored bodies at 1 April 2011

Executive Non-Departmental Public Bodies (NDPBs)

Executive NDPBs are grouped in the following way:

Museums and Galleries

British Museum
 Geffrye Museum
 Horniman Public Museum and Public Park Trust
 Imperial War Museum
 Museum of Science and Industry in Manchester
 National Gallery
 National Maritime Museum
 National Museum of Science and Industry
 National Museums of Liverpool
 National Portrait Gallery
 Natural History Museum
 Royal Armouries
 Sir John Soane's Museum
 Tate
 Victoria and Albert Museum
 Wallace Collection

Libraries

British Library
 Museums, Libraries & Archives Council
 Public Lending Right⁵⁵

Arts

Arts Council of England

Architecture and the Historic Environment

English Heritage
 National Heritage Memorial Fund (including the Heritage Lottery Fund)

Tourism

VisitBritain

Sport

Football Licensing Authority⁵⁶
 Sport England⁵⁷
 UK Sport⁵⁷
 UK Anti-Doping Limited

Olympics

Olympic Delivery Authority
 Olympic Lottery Distributor

55 In October 2010 it was announced that work is underway to transfer Public Lending Right functions to another existing public body and that the NDPB would be abolished.

56 Legislation is being enacted to extend the Football Licensing Authority remit and rename it as the Sports Ground Safety Authority.

57 On 26 July 2010, the Department announced an intention to consider a merger of UK Sport and Sport England.

Gambling and National Lottery

Big Lottery Fund⁵⁸

Gambling Commission⁵⁹

Horserace Betting Levy Board

National Lottery Commission⁵⁹

Advisory NDPBs

Advisory Committee on Historic Wreck Sites

Advisory Committee on National Historic Ships

Advisory Committee on the Government Art Collection

Advisory Council on Libraries

Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest

Theatres Trust

Treasure Valuation Committee

VisitEngland

Tribunal NDPBs

Horserace Betting Levy Appeal Tribunal for England and Wales

Public Corporations

Channel Four Television Corporation

Historic Royal Palaces

Horserace Totalisator Board (The Tote)

Office of Communications (Ofcom)

Public Broadcasting Authorities

British Broadcasting Corporation

Sianel Pedwar Cymru (S4C) Welsh Fourth Channel Authority

Executive Agencies

Royal Parks Agency

Unclassified bodies

The Royal Household

Churches Conservation Trust

The following bodies receive a grant from the Department:

Chatham Historic Dockyard

Design Museum

Greenwich Foundation for the Old Royal Naval College

National Coal Mining Museum

National Film and Television School

National Football Museum

People's History Museum

Tyne and Wear Museums

58 As a consequence of the Government Spending Review, the Government has transferred policy responsibility for the Big Lottery Fund from DCMS to the Cabinet Office, although DCMS retains sponsor role.

59 The Cabinet Office confirmed on 24 September 2010 that the National Lottery Commission and the Gambling Commission will be merged as part of the Government's review of Public Bodies.

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)

Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall

Department for Business, Innovation and Skills (excluding agencies)	Cabinet Office (excluding agencies)	Department for Communities and Local Government (excluding agencies)	Department for Culture, Media and Sport (excluding agencies)	Ministry of Defence (excluding agencies)	Department for Education	Department of Energy and Climate Change	Department for Environment, Food and Rural Affairs (excluding agencies)	Foreign and Commonwealth Office (excluding agencies)	Department of Health (excluding agencies)	HM Revenue & Customs	HM Treasury (excluding agencies)	Home Office (excluding agencies)	Department for International Development	Ministry of Justice (excluding agencies)	Department for Transport (excluding agencies)	Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)
38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Publications by the NAO on the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
10 March 2011	Department for Culture, Media and Sport: Financial management	HC 821	2010-11
16 February 2011	Preparations for the London 2012 Olympic and Paralympic Games: Progress report February 2011	HC 756	2010-11
15 September 2010	Briefing for the Culture, Media and Sport Select Committee	http://www.nao.org.uk/publications/1011/briefing_dcms.aspx	
02 July 2010	Short guide to the NAO's work on the Department for Culture, Media and Sport	http://www.nao.org.uk/publications/1011/short_guide_dcms.aspx	
16 June 2010	Review of the data systems for Public Service Agreement 22	http://www.nao.org.uk/publications/1011/review_data_systems_for_psa_22.aspx	
27 May 2010	Increasing participation in sport	HC 22	2010-11
26 February 2010	Preparations for the London 2012 Olympic and Paralympic Games: Progress report February 2010	HC 298	2009-10
22 July 2009	Promoting Participation with the Historic Environment	HC 881	2008-09
10 December 2008	Maintaining the Occupied Royal Palaces	HC 14	2008-09
20 June 2008	Preparations for the London 2012 Olympic and Paralympic Games: Progress Report June 2008	HC 490	2007-08
22 May 2008	Making grants efficiently in the culture, media and sport sector	HC 339	2007-08

Appendix Four

Cross-government NAO reports of relevance to the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
13 July 2011	Identifying and meeting central government's skills requirements	HC 1276	2010-12
06 June 2011	Managing risks in government		
11 March 2011	Managing staff costs in central government	HC 818	2010-11
03 March 2011	Progress in improving financial management in government	HC 487	2010-11
17 February 2011	Information and Communications Technology in government. Landscape Review	HC 757	2010-11
21 December 2010	Short Guide to reorganising arm's-length bodies	http://www.nao.org.uk/publications/1011/arms_length_bodies.aspx	
14 October 2010	Central government's use of consultants and interims	HC 488	2010-11
18 August 2010	A framework for managing staff costs in a period of spending reduction		
19 July 2010	Progress with VFM savings and lessons for cost reduction programmes	HC 291	2010-11
13 July 2010	Taking the measure of government performance	HC 284	2010-11
27 May 2010	Non-Departmental Public Bodies Performance Reporting to Departments		
18 March 2010	Reorganising central government	HC 452	2009-10
6 November 2009	Commercial skills for complex government projects	HC 962	2008-09
21 October 2009	Measuring Up: How good are the Government's data systems for monitoring performance against Public Service Agreements?	HC 465	2008-09
16 October 2009	Government cash management	HC 546	2008-09
29 April 2009	Addressing the environmental impacts of government procurement	HC 420	2008-09

Publication date	Report title	HC number	Parliamentary session
26 March 2009	Innovation across central government	HC 12	2008-09
27 February 2009	Helping Government Learn	HC 129	2008-09
13 February 2009	Recruiting civil servants efficiently	HC 134	2008-09
5 February 2009	Assessment of the Capability Review programme	HC123	2008-09
19 December 2008	Central government's management of service contracts	HC 65	2008-09

Appendix Five

Other sources of information

Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number
24 May 2011	Thirty-seventh report of Session 2010–12, Departmental Business Planning, http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf	HC 650
31 March 2010	Twenty-eighth Report of Session 2009-10 Preparations for the London 2012 Olympic and Paralympic Games	HC 443
12 January 2010	Fifth Report of Session 2009-10 Promoting Participation with the Historic Environment	HC 189
2 June 2009	Twenty-fourth Report of Session 2008-09 Maintaining the Occupied Royal Palaces	HC 201
6 November 2008	Forty-ninth Report of Session 2007-08 Making grants efficiently in the culture, media and sport sector	HC 641
24 July 2008	Fiftieth Report of Session 2007-08 Preparations for the London 2012 Olympic and Paralympic Games	HC 890
24 July 2008	Forty-second Report of Session 2007-08 Preparing for sporting success at the London 2012 Olympic and Paralympic Games and beyond	HC 477
26 June 2008	Twenty-eighth Report of Session 2007-08 Government preparations for digital switchover	HC 416
22 April 2008	Fourteenth Report of Session 2007-08 The budget for the London 2012 Olympic and Paralympic Games	HC 85

Recent reports from Central Government

December 2009	HM Government	Putting the Frontline First: smarter government
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Cabinet Office Capability Reviews

www.civilservice.gov.uk/about/improving/capability/reports.aspx

March 2009	Cabinet Office	Department for Culture, Media and Sport: Progress and next steps
March 2008	Cabinet Office	Capability Review of Department for Culture, Media and Sport: One Year Update

Where to find out more

The National Audit Office website is
www.nao.org.uk

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