



National Audit Office

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**National Audit Office**

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# NAO Strategy 2015-16 to 2017-18

**DECEMBER 2014**

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Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 810 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

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# Foreword

- 1** After the general election in May 2015, the incoming government will face a challenging fiscal environment and pressure to provide public services in a more cost-effective way. Austerity will continue into the next Parliament and there will be profound implications for public service delivery. Responses to ongoing cost reduction are likely to include service transformation, digitisation, further use of private and third sector providers and more integration of services at local level. Existing ways of working will continue to be challenged.
- 2** The civil service will require different skills and capabilities to drive these complex changes through, and protect public value. There have been some positive developments of skills and capabilities, but they do not yet match the scale of the challenge.
- 3** The NAO strategy is based on matching the weaknesses we still see in the public sector – services delivered in silos, short-term decision-making and a lack of organisational learning from experience – with strengths which we have put in place in our small and therefore agile organisation. We are working hard to go beyond simply showing that things may have gone wrong, to offering insights into why they have done so based on the spread of NAO experience across the whole of government. Our objective is to help drive improvement, and the changes to our ways of working, how we are structured, and the use of skills and knowledge are designed to reinforce this.
- 4** So the National Audit Office is transforming to have greater impact and our work remains highly relevant to the most important challenges the public sector faces. To this end, we are widening the range of our products and the scope of our work. We are undertaking more comparative and investigative work in order to develop our understanding of the root causes of the failures in public administration we observe. We are starting to deliver the benefits from our transformed approach and this is challenging our people to work in new ways. It requires a major cultural change and this is our continuing focus. We have a strong track record on our own cost reduction and continue to challenge ourselves to work as efficiently as possible.

**5** Complementing our existing charges of helping Parliament hold government to account, and helping to drive improvement in public services, our new roles relating to the audit of local public bodies under the Local Audit and Accountability Act 2014 substantially increase the breadth of our work. These responsibilities come into force in 2015. This will mark a step change in the reach of our work, enabling us to take an end-to-end view from national policy through to local delivery and the effect on citizens.

**6** The next 3 years will be a demanding time for the National Audit Office as we continue to support accountability and improvement in an ever more challenging public service environment. We are on the right course and we have taken the steps necessary to secure real benefit from the resources Parliament provides to us.

Sir Amyas C E Morse KCB  
Comptroller and Auditor General

Professor Sir Andrew Likierman  
Chairman

# Part One

## Our environment

The public sector continues to undergo significant change in response to ongoing austerity and public service reform. Profound changes to the nature of public service delivery are likely to continue throughout the next Parliament. The civil service will require different skills and capabilities to ensure these changes are implemented cost-effectively.

### **The economy and public services**

**1.1** The economy is recovering but there is political consensus that fiscal consolidation will need to continue. Current forecasts suggest that public finances will not be in surplus until 2018-19. We are about halfway through the total planned fiscal consolidation. The low hanging fruit has long gone. The scale of consolidation still required means the civil service has no option but to think radically about how to provide public services at permanently lower cost.

**1.2** At the same time, the demands on public services are increasing. A higher birth rate is putting pressure on school places and children's services, while an ageing population is affecting pensions, health and social care costs. The need to strengthen our global competitiveness requires further investment in infrastructure, skills and technology.

**1.3** The government is responding to these challenges through an ambitious reform programme including:

- opening public service provision to private and third sector suppliers;
- changing the way services are delivered, notably in health, welfare and social care by using technology, big data and the internet to redesign services;
- delegating to, and empowering, local bodies including academies, local enterprise partnerships and health and well-being boards; and
- reforming the civil service to improve management capability and reduce costs.

**1.4** Local bodies have generally coped well in financial terms with funding reductions, but there is emerging evidence that this is now affecting services, with some bearing a disproportionate share of the reductions. Further tightening of funding will put increased pressure on these services with more organisations becoming financially unsustainable.

**1.5** The pressure to reduce costs and improve service quality will continue beyond the general election. The imperative to reform is unlikely to abate and reforms will need to be delivered through more profound change, with increased emphasis on successful implementation. This requires the public sector to demonstrate commercial skills much more consistently in project and programme management; service redesign, contract management, commissioning and regulation; financial management; and how best to secure the benefits of new technology. At the same time, public bodies need to ensure that services are provided in a way that is more visibly integrated and joined-up for people who rely on them.

**1.6** Changes to public service provision provide opportunities to deliver lasting benefits to citizens, but also generate risks to value for money. There remains an enduring need for strong accountability to Parliament, and locally, for how bodies use public funds, underpinned by a strong independent audit institution.

# Part Two

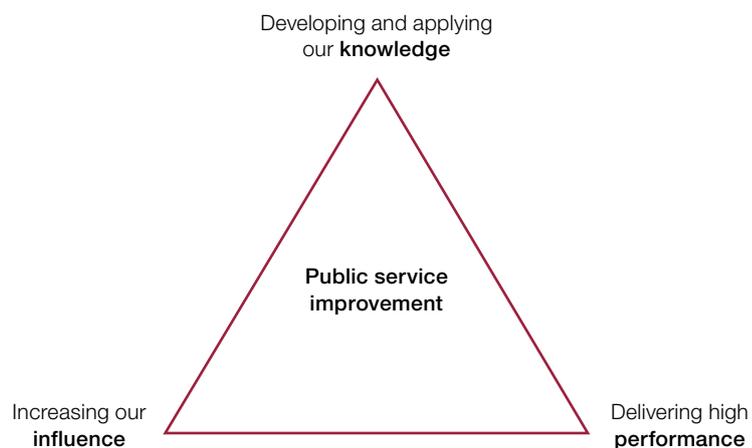
## Our strategy

We support Parliament to hold government to account by fulfilling our statutory duties in financial audit and value-for-money reporting. In doing so we use our insights to help drive improvement in public services. To be effective, we must continue to focus on our 3 strategic objectives. Our new responsibilities under the Local Audit and Accountability Act 2014 will also enable us to build a more comprehensive view of the implementation of national policy through to delivery at local level.

**2.1** We introduced our strategy in 2009 (**Figure 1**). The strategy set out how, as the auditor of public bodies reporting to Parliament, we acquire insight in departments and across government about enablers and inhibitors of good performance. Combined with our expertise, we use this knowledge to support departments and the public sector to improve their performance. Parliamentary accountability is strengthened because our work is focused on issues that drive improvement in the use of taxpayers' money.

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**Figure 1**  
Our strategic objectives



**2.2** The strategy enabled us to increase our impact and influence by enabling us to highlight systemic weaknesses, for example in financial management, contracting, accountability, and fraud and error. It also helped improve our analysis of department-specific areas, such as the impact of project management on performance in the Ministry of Defence.

**2.3** The core features and objectives of this strategy remain current. However, to ensure we responded to the challenges facing the public sector, and to strengthen our support to Parliament, in 2013, we undertook to transform the way we work. While our core strengths in financial and value-for-money audit remain our bedrock, we are currently implementing a 3 year transformation programme consisting of 5 enhancements to the strategy. These are:

**2.4 Focusing on strategic issues shared by groups of departments to enable comparative analysis, developing our expertise in these issues through our skills strategy**

Groups of departments have shared strategic issues (**Figure 2** overleaf). This can be because of the similarities between the services they provide, how they deliver their services or the context in which they operate. For example, the Department for Work & Pensions and HM Revenue & Customs are both responsible for high volume transactional services, with which the majority of the public come into contact. Moreover, both departments are using digital technology, big data and the internet to transform how they deliver their services.

**2.5** Many aspects of poor performance can be traced to these strategic issues and mistakes are often repeated. By organising the way we work to focus our effort on such issues:

- we are better able to get to the root cause of failure and success and respond to emerging issues more quickly;
- we can identify where value for money is at risk where public bodies do not take opportunities to integrate services in a more joined-up way;
- we can benchmark similar activity across departments which allows us to highlight good practice; and
- we will support stronger Parliamentary accountability because our work is focused on issues more likely to drive long-term improvement in the use of taxpayers' money.

## Figure 2

### Strategic issues

Shared strategic issues	Departments and areas of public spending	Examples of NAO work seeking to achieve impact
Securing an effective centre of government that facilitates the best use of public money	Cabinet Office; HM Treasury; Parliament	Our reports are enabling the Committee of Public Accounts to challenge the Cabinet Office and Treasury to strengthen the effectiveness of the centre of government
Maintaining effective local services under financial constraint	Local government; Department of Health; Department for Communities and Local Government	We are producing authoritative reports on financial sustainability in local government and the NHS
Improving the accuracy and effectiveness of high volume services to the public	Department for Work & Pensions; HM Revenue & Customs	We have intervened early in the implementation of Universal Credit and the Work Programme to enable appropriate scrutiny of key welfare reforms
Improving the effective delivery of major programmes and projects	Ministry of Defence; Department for Transport; Department of Energy & Climate Change	We have produced a comparative report on train procurements in the Department for Transport to highlight the variation in approaches
Improving outcomes from a diverse range of providers, with effective oversight and intervention	Department for Education; Ministry of Justice; Home Office; Department for Culture, Media & Sport	Our comparative report on contract management in the Home Office and Ministry of Justice enables each department to learn from the other's experience
Strengthening influence and regulation to make markets work effectively	Department for Business, Innovation & Skills; Department for Environment, Food & Rural Affairs; Foreign & Commonwealth Office; Department for International Development	Our value-for-money report on consumer redress schemes will consider a key aspect of ensuring public service markets work effectively for consumers

## 2.6 Providing integrated assurance, drawing on the full range of NAO expertise, with products tailored more appropriately for Parliament and other stakeholder needs

Public service delivery is more complex, requiring consistently strong management to ensure that service quality or performance is not put at risk. Integrating the way we discharge our audit responsibilities enables us to form a more in-depth assessment of how risks are managed. Integrated assurance draws together the insights we obtain across our financial audit and value-for-money disciplines, and our wider work, to ensure that we capture and use our knowledge efficiently. This provides a platform for all of our work to be proportionate and risk-based. For example, our work to support the valuation of the student loans held by the Department for Business, Innovation & Skills was integrated with the Comptroller and Auditor General's long form report supporting the 2013-14 financial accounts of HM Treasury.

## **2.7 Developing an investigative capability to follow public money where issues are raised by members of parliament and members of the public, or where the facts are uncertain**

Concerns are often raised with us about the way public money is used, where people's experiences of public services are deficient in some way, or where there is evidence of irregularity or impropriety. We take such concerns seriously. In some instances, this may be no more than clarifying the facts, but in others, significant issues may require in-depth investigation. In response to questions raised by the House of Commons Health Committee in late 2013 and wider Parliamentary interest, we conducted an investigation into concerns about NHS Property Services. Our investigation successfully established the facts relating to these concerns.

## **2.8 Through our new responsibilities in local government, focusing on end-to-end local service delivery, facing both central and local government**

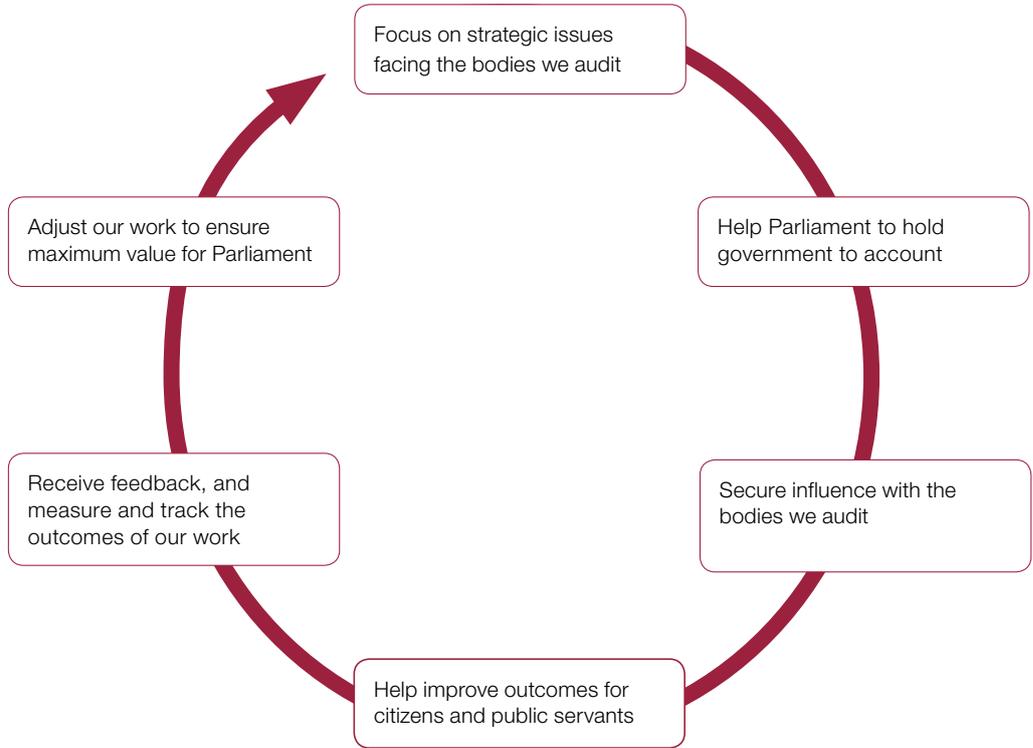
The Local Audit and Accountability Act 2014 gives us new responsibilities for preparing and maintaining the Code of Audit Practice for local bodies, and reporting on wider issues as part of our new programme of value-for-money studies. Drawing on the full range of the National Audit Office's expertise, we are now well placed to understand how services are delivered on the ground and to highlight systemic issues, including the extent to which services are integrated for those using them, and efficient for those funding them. We are now consulting on the Code of Audit Practice, coming into effect from 1 April 2015. Our value-for-money work is expanding, and we are now publishing at least 6 reports a year on local issues. Examples include studies into adult social care assessments, financial sustainability of local authorities and health and well-being boards.

## **2.9 Establishing a leaner National Audit Office with enhanced collaborative working to increase our impact and influence**

We cannot expect those we audit to listen to us and act on our recommendations if we ourselves are not a cost-effective organisation that practices what we preach. We have reduced our people complement from 842 in 2013-14 to 812 in 2014-15. This led to ongoing savings in our salary costs of at least £2.5 million. Teams are more integrated and able to draw on a wider range of skills. We have also recruited people with new expertise in corporate finance, commercial skills and data analytics. For example, our report on the privatisation of Royal Mail, produced by a team led by our recently recruited sector expert, drew attention to the wider systemic issue of how government disposes of public assets.

We need to continue to develop new flexible and collaborative ways of working. This will enable us to be consistently high performing and deliver our audit service as part of an integrated assurance cycle (**Figure 3** overleaf) at sustained lower cost. A workforce planning initiative is under way to address this. It will report in early 2015.

**Figure 3**  
Assurance cycle



# Part Three

## Delivering the strategy

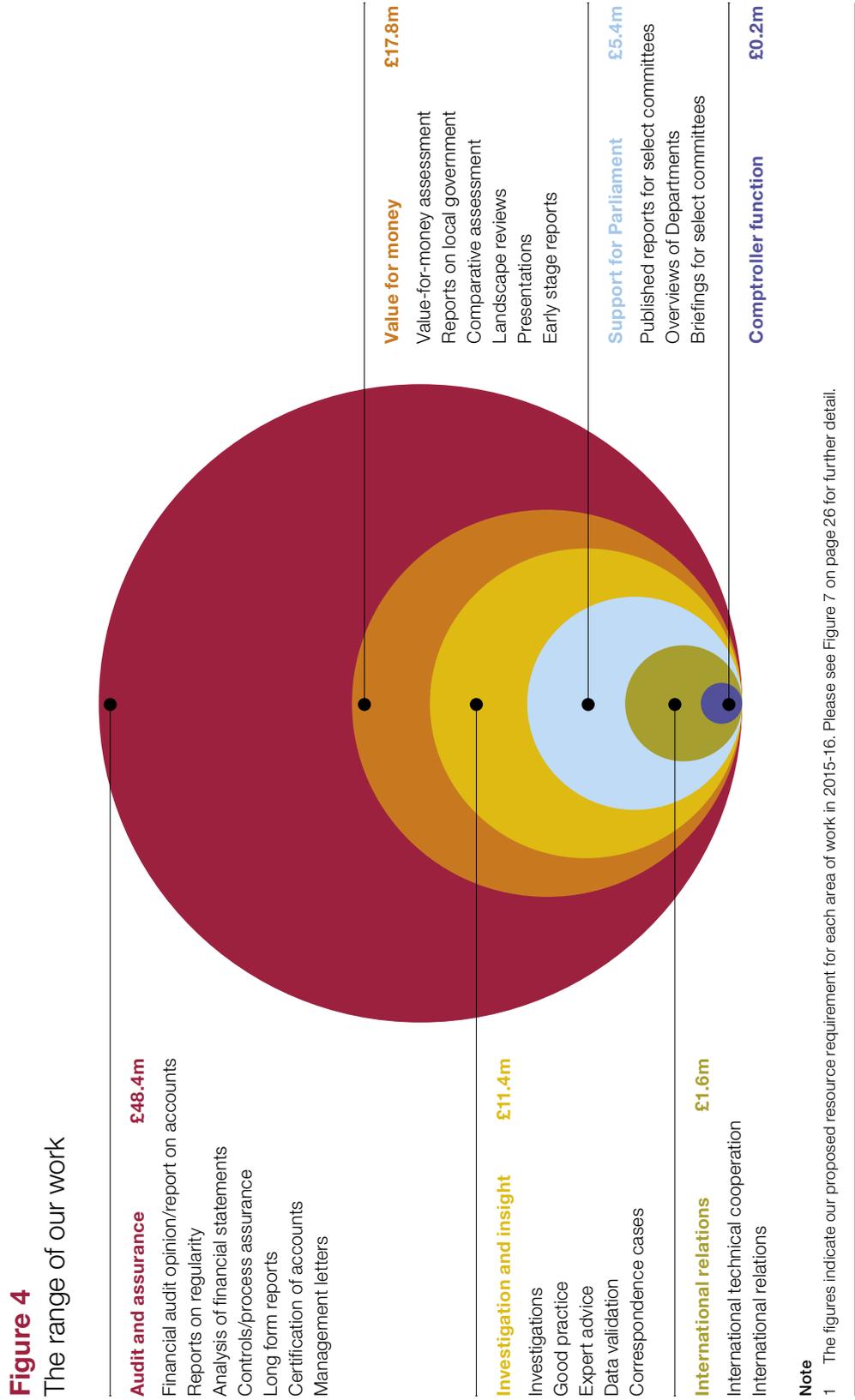
We will deliver our strategy through an integrated range of assurance products for Parliament, with a clear focus on what is delivered for the money spent. In so doing, we will add value by highlighting systemic scope for improvement.

### **Providing assurance and adding value**

**3.1** We will continue to deliver our work as part of an integrated, risk-based programme of assurance designed to maximise our support to Parliament and drive public service improvement. Working in a more integrated way allows us to take a comprehensive view of what is being delivered for the money spent across public services, based on deeper insight into the root causes of poor performance and best practice. As a result, we will enhance the relevance of our recommendations, which will have lasting value.

**3.2** Our integrated assurance products will draw on insight from the full range of NAO work and draw together our audit expertise across our core financial audit and value for money work. We have widened our product offering so we can tailor our work to different circumstances and audiences, and increase our influence. **Figure 4** overleaf sets out the range of our work. All our products will be of the highest quality.

**3.3** Our work will demonstrate a range of characteristics that add value to our offering for Parliament and audited bodies. Our root cause analysis will get to the heart of issues to demonstrate how long-term sustained improvement can be achieved. Our comparative work will highlight variations in performance and approach, to ensure that good practice is shared and underperformance is challenged and addressed appropriately. We will intervene earlier where we judge it appropriate to do so, to avoid poor management or oversight at the outset of projects escalating into bigger value-for-money failures. We will use a risk-based approach, underpinned by better data analytics, to highlight strategic issues and maximise the value we add for Parliament from our work. All of this will be done as efficiently as possible, ensuring the scope and resource for each of our audits is at an appropriate level.



**3.4** To deliver our new responsibilities under the Local Audit and Accountability Act 2014 to a high standard, we will develop our skills and expertise in local issues. We will carry out studies of local government, the NHS and the education system. From 1 April 2015, the NAO will prepare and maintain the Code of Audit Practice. We will integrate our new roles with our existing work to provide an end-to-end system-wide view of the implementation of national policy through to local delivery. We will highlight systemic issues impacting on the performance and sustainability of local services, for example focusing on institutional arrangements that can obstruct both joined-up service provision and effective accountability.

**3.5** Our integrated approach will be reinforced by continuing to develop our investigative capability, where there is a need to clarify facts or where there is potential evidence of irregularity. This work increases in importance as the public sector relies more heavily on private and third sector bodies to provide services through contractual and commissioning arrangements. Our investigations respond quickly to issues drawn to our attention by members of parliament and members of the public. They establish facts and are forensic in the way in which we assemble evidence, demonstrating our persistence in following public money.

### **Securing influence**

**3.6** We are using this extensive body of work to help the bodies we audit make progress with the strategic issues they face (Figure 2). In so doing, our aim is to help secure sustainable improvements. At the same time, we remain alert to wider systemic issues pertinent to the whole of government. In the medium term, three are particularly relevant.

#### Developing strong coherent management competence

**3.7** Despite reform, the civil service has some way to go before strong competent management is the norm and public services are designed and implemented to a consistently high standard. Our work will continue to set out areas where improvement is needed and where good capability is making a difference.

#### Maintaining financial sustainability

**3.8** Ongoing austerity is putting the financial viability of an increasing number of public bodies at risk. For the whole of the public sector, our work will draw out how this is to be managed and key public services safeguarded.

#### Ensuring appropriate accountability

**3.9** As public services are delivered in new ways, often at arm's-length through contractual relationships, the profile of risk is changing and traditional accountability can be weakened. Our work will draw attention to where accountability needs strengthening, reconciling local decision-making with appropriate governance.

## **Support for Parliament**

**3.10** By reporting the results of our audits to Parliament, we help Parliament to hold government departments and public bodies to account for the way they use public money. Through this, we help to improve performance and service delivery. We will continue to refine our approach to ensure that parliamentarians get most value from our work and we will increase the timeliness and relevance of our work and recommendations.

## **Support for the Committee of Public Accounts**

**3.11** We work closely with the Committee of Public Accounts, which takes evidence from our value-for-money studies and significant issues arising from our investigative and financial audit work. Through our sustained focus on the shared strategic and systemic issues that are likely to have the greatest impact on long-term performance in the public sector, we will help the Committee to hold government to account for its use of public resources, get to the root cause of failure and success, and respond more quickly to emerging issues. For instance, members of the Committee of Public Accounts have challenged departments more consistently on their commercial capability, based on our reports focusing on contract management and delivering major long-term projects.

## **Support for select committees**

**3.12** We also work with other select committees in addition to our work with the Committee of Public Accounts. We provide select committee members with Departmental Overviews – annual guides to our work on the main government departments – and support individual select committee inquiries where required through briefings to committees and by providing a number of National Audit Office auditors to committees on short-term attachments.

## **Support for members of Parliament**

**3.13** Our aim will also be to ensure that all members of Parliament understand our role and expertise so that they are fully aware of the breadth of our work, and how it can help them hold government departments and public bodies to account.

# Part Four

## Our resources and people

We continue to practise what we preach regarding our own cost-effectiveness and work to ensure that we are a high-performing organisation. We will maintain an appropriate balance between our business support costs and front-line activity. We aim to do more with less. We will continue to improve the quality of our work and become more responsive to emerging issues.

### Delivering high performance

**4.1** Our people have done much to ensure we are a high-performing organisation – practising what we preach – giving value to Parliament and the bodies we audit. In the run-up to the general election and beyond, we will focus on delivering the benefits of transformation so they are entirely visible to Parliament, departments and, increasingly, local bodies. We will support our people in making an important contribution to the National Audit Office's work.

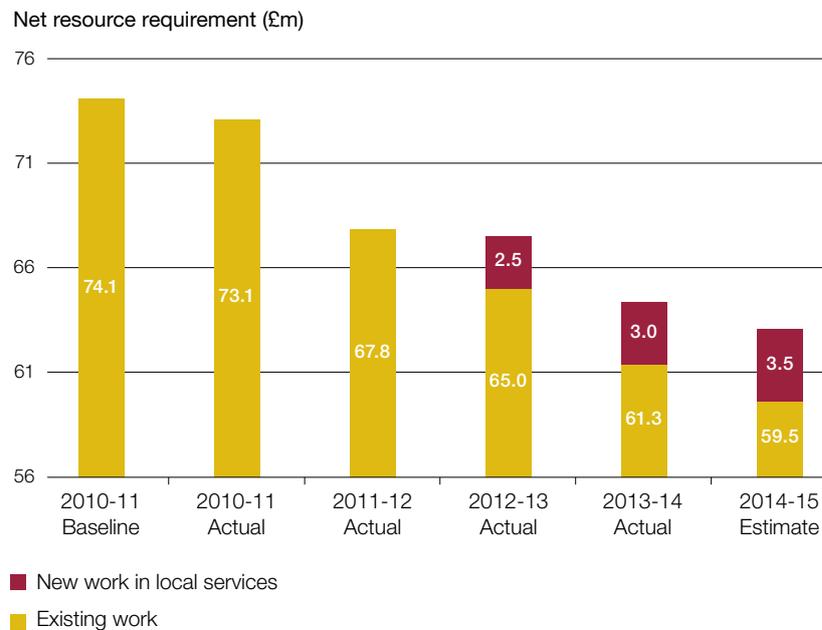
**4.2** We are investing in our technology to ensure a mobile and efficient workforce, as well as developing information sharing and collaborative working within a secure framework.

### Managing our costs

**4.3** We can be trusted to deliver the savings we promise. The National Audit Office embarked on a cost reduction programme in 2010-11 and exceeded the agreed target of 15% by delivering an actual cost reduction of 17% over the three years to 2013-14, on its existing work. In line with our approved 2014-15 strategy, we have continued to seek further efficiencies and are on track to reduce our costs by 20% from our 2010-11 baseline work programme (**Figure 5** overleaf). This is more than 25% after adjusting for the effect of inflation.

**4.4** We achieved these savings by transforming the way in which we work, and through efficiencies within corporate services. This enabled us to improve the quality and range of our work for less money.

**Figure 5**  
National Audit Office savings



### Resources needed from 2015-16 to 2017-18

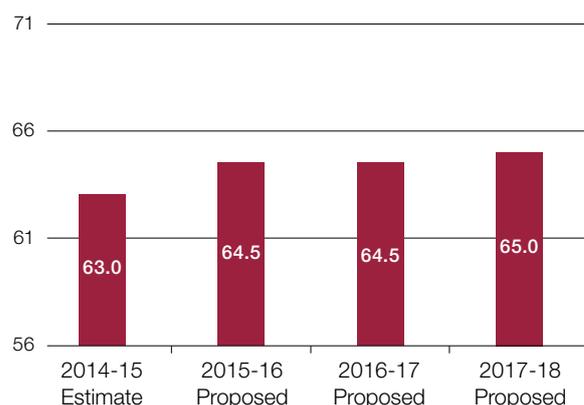
**4.5** We are requesting a total resource budget for 2015-16 of £64.5 million (**Figure 6**). This is the same as we set out in the strategy presented to the Public Accounts Commission in 2013. Our request reflects both ongoing efficiencies in running costs but also an expansion of our responsibilities under the Local Audit and Accountability Act 2014.

**4.6** As the economy has improved, we are experiencing much higher numbers of people leaving the National Audit Office, particularly people who have qualified as accountants in the last 2 to 3 years. Between January and September 2014, 106 people left compared to 52 for the same period in the previous year. While pay is not the only factor, it is increasingly an issue. Over the last 5 years, our annual pay awards have been set to restrict salary increases to an average of 1% a year. In 2015-16, we want the flexibility to increase pay beyond this, which we will seek to fund through internal efficiencies.

**Figure 6**

## Resources needed from 2015-16 to 2017-18

Net resource requirement (£m)

**Note**

1 New work in local services consolidated in figures following passage of legislation.

**4.7** The period beyond the general election is uncertain until the new government has presented its policies and spending plans. Once the government's intentions are known, we will consider the implications for the resources we will need in 2016-17 and 2017-18 to fulfil our responsibilities to Parliament. We will present these to the Commission in the autumn of 2015. Our estimates for 2016-17 and 2017-18 are, at this stage, indicative. We remain, however, strongly committed to ongoing improvements in the way we use taxpayers' money.

**How we will use these resources**

**4.8** Our audit work will increase in 2015-16 as we become the auditors for Network Rail and increase the level of assurance services we provide over European Union agricultural funding. The National Audit Office will also take full responsibility for the preparation and publication of the Code of Audit Practice, setting the standards for audit across local government. In addition, we will continue our work to prepare for our role reporting on the administration of the Scottish rate of income tax and the changes for our client base arising from any further devolution of power.

**4.9** In the longer term, we will scale back our international audit work once the C&AG completes his term of office at the United Nations Board of Audit in 2016-17. This will be matched by a corresponding reduction in annual income of around £3 million.

**4.10** We will make the best use of our audit of the Whole of Government Accounts to draw attention to the totality of the potential deferred liabilities that the government may be committing to now but which will crystallise in the future.

**4.11** We will continue to carry out sufficient high-quality major reports to meet the demand from the Committee of Public Accounts and support their programme of hearings. This will include major reports published annually into issues around local services, and which replace those previously produced by the Audit Commission.

**4.12** We will continue to develop our capacity to carry out investigations or other inquiries into areas of risk highlighted by members of Parliament's, members of the public and our financial audit work. Our other work includes supporting Parliamentary committees, other overseas audit institutions and responding to correspondence on a wide range of issues.

**4.13** Appendix One shows how we will use these resources to carry out our audit and assurance work, major reports on value for money and investigative and other activities. The majority of our expenditure relates to our people.

## **Our people**

**4.14** Transformation is presenting a challenge to our people as we have changed the way we traditionally worked and the behaviours we value. These challenges and the uncertainty some colleagues have experienced during the period of transition are reflected in the last two annual surveys of our people. In 2013, our people survey scores decreased significantly compared to those in 2012. In 2014, the majority of these scores improved, but many remain below the levels we aspire to. We are clear that transformation is ongoing and we need to continue to support our people as these operational and behavioural changes are embedded. We will remain alive to the views of our people and will focus on ensuring everyone in the National Audit Office understands the rationale for change, and how their role contributes to our strategy.

## Staffing levels

**4.15** Part of our transformation involved a restructuring programme to reduce our total complement and increase our capability. Forty-four people left the National Audit Office under the restructuring programme in 2013, with half of these being at senior or middle management level. Around a quarter of the posts were replaced with new skills and expertise. This exercise has established a new baseline for our people resources and we do not expect any further reduction in numbers in 2015-16. We will be transferring 11 people from the Audit Commission to lead on the Code of Audit Practice work and to support our value-for-money work on local service delivery. We are currently developing detailed workforce plans for the coming 3 years, which will be based on more integrated work programmes. This will allow us to better predict demand and develop a more standardised approach to resourcing each of our main product lines.

**4.16** Graduates and school leavers will remain our main talent pipeline and we will continue to recruit around 70 to 80 graduates and school leavers annually. We will also maintain an ongoing programme of recruitment at other levels to provide a continuing pipeline of fresh talent. This will be particularly important as the economy continues to recover. Our longer-term workforce plan will allow us to refine our staffing model to adapt to the loss of our international portfolio of work at the United Nations and react appropriately to other changes in demand for our work.

## Skills

**4.17** We have implemented a skills strategy, which builds on the additional talents needed to focus our work on the shared strategic issues faced by government (Figure 2, page 10). Financial and value-for-money audit skills remain the bedrock of the National Audit Office and we will continue to invest in their development. However, we have also enhanced our range of senior skills through the recruitment of experts in corporate finance, digital services, and local government and health, enabling us to consider a wider variety of government activities. For example, our report on the privatisation of Royal Mail, produced by a team led by our recently recruited sector expert, drew attention to the wider systemic issue of how government disposes of public assets.

**4.18** As well as our core skills in value-for-money and financial audit, we will continue to develop our client insight work so that our people have a deeper understanding of the bodies they audit.

## Diversity

**4.19** Diversity is important to us, and we are committed to realising the full potential of all of our people, whatever their background. We have made progress on our diversity strategy with the support of our Diversity Delivery Board, but we need to accelerate our rate of progress if we are to secure beneficial change. We are taking action to:

- improve rates of progression for women to senior roles by ensuring balanced representation on selection panels and active management of our talent pipeline;
- support quicker career progression for black, asian and minority ethnic colleagues by providing them with mentors at senior levels in the business; and
- address inequalities in the way we allocate work to black, asian and minority ethnic colleagues by actively managing their assignments to line managers, teams and work programmes.

**4.20** We recognise that the way our people are managed in the early stages of their career has a direct impact on their future performance and potential for progression. Ensuring equal access to challenging work opportunities for all colleagues will be a priority in our revised diversity strategy for 2015, which will be developed by our Diversity Delivery Board, in cooperation with our diversity networks.

# Part Five

## Our performance

Our strategy focuses our work on the issues that will have a long-term sustainable impact on public sector performance. It is therefore essential that we measure the success of this strategy. We draw on a range of measures to assess our impact and influence on stakeholders, and on public service improvement. We regularly review the range of measures we use to ensure they appropriately attribute our contribution to improvements.

### **Progress addressing long-term strategic challenges in the public sector**

**5.1** Figure 2 (page 10) sets out a range of strategic issues faced by multiple departments in government. They have often been associated with past value-for-money failures, and are at risk of being repeated unless public bodies change their approach. Examples include government's management of long-term projects and programmes, and clarity about the relative roles and responsibilities of the centre of government and other government departments.

**5.2** We track the progress we are making on these issues, and we will report evidence of our impact annually. Given the long-term nature of the improvements we are seeking, and the challenges of attributing our influence, these examples will often be both quantitative and qualitative. All examples that we report will be agreed with relevant government departments to ensure that our claims are a fair representation of our influence.

### **Acceptance and implementation of recommendations**

**5.3** We will continue to work to ensure the government responds faster and more positively to our work. We influence government directly through our work with departments, and through our support for the Committee of Public Accounts.

**5.4** We monitor the government's responses to review the extent to which individual departments have accepted and implemented the Committee of Public Accounts' recommendations, based on inquiries supported by the National Audit Office. We will continue to report on this annually.

## **Added value to key stakeholders**

**5.5** In order to achieve influence, it is essential that the bodies we audit acknowledge the value of our work, and that parliamentarians have confidence in the independent assurance and insights that the National Audit Office provides. Because of our new responsibilities under the Local Audit and Accountability Act 2014, we are mindful that we also need to be seen as authoritative by the local government sector.

**5.6** We will commission 3 independent surveys annually to receive structured and comparable feedback from audited bodies and Parliamentarians:

- a series of independent interviews with senior civil servants in audited bodies, as well as the chairs of their audit committees;
- a survey of members of Parliament, which we have participated in since 2010, which asks them about their familiarity with, favourability towards, and perceptions of, the National Audit Office. We will continue to report the results of these surveys annually; and
- we will carry out a survey of local authorities to capture perceptions of us and our work in the sector.

## **Wider use of NAO work**

**5.7** The National Audit Office is widely viewed as a recognised authority in our core areas of expertise. While we secure much of our influence through our work for the Committee of Public Accounts, our work is also referenced:

- in Parliament more widely (for example in debates or other select committee hearings);
- by other influential bodies or individuals (for example representative groups or prominent commentators); and
- in the media.

**5.8** We monitor the volume of references to National Audit Office and Committee of Public Accounts work in the Houses of Parliament. We track references to National Audit Office work by influential bodies and monitor the volume and favourability of references to the National Audit Office and the Committee of Public Accounts in the press. We will report on these measures annually.

**5.9** We also monitor how our work is used by other policy organisations, such as think tanks and trade associations. We want our work to have the widest possible impact.

## **Financial impacts**

**5.10** Ultimately, our work aspires to save public money. We have an established process whereby we seek to identify and measure the financially quantifiable benefits of our work on the bodies we audit. All of our financial impact claims are required to satisfy certain principles, are validated by the relevant public body, and subject to internal and external audit assurance. In 2013-14, our work led to savings to the public purse of £1.1 billion, equivalent to £16 of financial impacts for every £1 the National Audit Office spent.

# Appendix One

## Our resource requirements

### Figure 7

Net resources shown by objective

	2014-15 Estimate (£m)	2015-16 Proposed (£m)	2016-17 Proposed (£m)	2017-18 Proposed (£m)
Audit and assurance <sup>1</sup>	45.7	48.4	47.2	46.8
Value for money	18.0	17.8	17.8	17.8
Investigation and insight	11.8	11.4	11.1	11.0
Support for Parliament	5.6	5.4	5.4	5.4
International relations	1.7	1.6	1.5	1.4
Comptroller function	0.2	0.2	0.2	0.2
<b>Gross resource requirement</b>	<b>83.0</b>	<b>84.8</b>	<b>83.2</b>	<b>82.6</b>
Income	(20.0)	(20.3)	(18.7)	(17.6)
<b>Net resource requirement<sup>2</sup></b>	<b>63.0</b>	<b>64.5</b>	<b>64.5</b>	<b>65.0</b>

#### Notes

- 1 The increase in audit and assurance in 2015-16 includes the additional work needed to maintain the Code of Audit Practice, setting the standards for the audit of local bodies.
- 2 The resource proposal for 2015-16 of £64.5 million is the same as in the strategy presented to the Public Accounts Commission in 2013 and includes an increase of £1.5 million from 2014-15 to cover additional responsibilities under the Local Audit and Accountability Act 2014. In previous years, this new work was disclosed separately, but following the passage of legislation, is now considered part of the NAO's ongoing work.

**Figure 8**

## Net resources shown by type of expenditure

	2014-15 Estimate (£m)	2015-16 Proposed (£m)	2016-17 Proposed (£m)	2017-18 Proposed (£m)
Staff <sup>1</sup>	56.7	58.7	57.7	57.9
Outsourcing	10.1	10.0	10.0	9.6
Travel	3.2	3.1	2.8	2.5
Establishment costs	9.9	9.9	9.6	9.5
Depreciation <sup>2</sup>	3.1	3.1	3.1	3.1
<b>Gross resource requirement</b>	<b>83.0</b>	<b>84.8</b>	<b>83.2</b>	<b>82.6</b>
Income	(20.0)	(20.3)	(18.7)	(17.6)
<b>Net resource requirement</b>	<b>63.0</b>	<b>64.5</b>	<b>64.5</b>	<b>65.0</b>

**Notes**

- 1 The increase in staff costs for 2015-16 includes the direct transfer of 11 people from the Audit Commission to lead on the Code of Audit Practice work.
- 2 This also includes movements in provisions.

**Capital expenditure**

1 Our capital expenditure provision for 2015-16 includes investment in a new enterprise resource planning system. The new system will ultimately lead to streamlined workflows and processes and give rise to a more commercial, more efficient way of working.

2 We have set aside budget in future years because we will need to carry out major renovations on our lift system in our London headquarters. A full upgrade of the lifts did not form part of the 2007 to 2009 refurbishment of this office.

**Figure 9**

## Capital provision

	2014-15 Estimate (£m)	2015-16 Proposed (£m)	2016-17 Proposed (£m)	2017-18 Proposed (£m)
Capital provision	1.5	2.0	2.0	2.0



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