OUR ROLE

The National Audit Office (NAO) supports Parliament to hold the government to account for the way public services are delivered.

Our primary role is to scrutinise public spending for Parliament. We do this by fulfilling our statutory roles in financial audit and value-for-money reporting across central government and local bodies.

We are independent of government. The head of the National Audit Office is the Comptroller and Auditor General (C&AG), who is an officer of the House of Commons and a Crown appointee.

“To put it bluntly, our Parliament is a better Parliament for the existence of the NAO. And this country is a better governed country for each and every one of you.”

Stephen Philips QC MP, Committee of Public Accounts, March 2016

“There has never been a time when the NAO was needed more.”

Lord Bichard, Chair, National Audit Office
OUR STRATEGY

Our overall strategic objective is to support Parliament in holding government to account and driving improvement in public services.

Although our objective is enduring, we adapt to meet the challenges of today, as further austerity, technology-driven change, localism, devolution and more contracted-out delivery put pressure on all areas of public services.

Our task is to understand the skills, capabilities and disciplines that are needed to support government through these challenging times, and to target our work to provide support and guidance, using our unique access, combined with the powerful influence of Parliament, to add value.

Read more on our strategy.

To ensure we achieve the most impact for the resources we use, we have three fundamental ‘enablers’ to structure and monitor our work; performing well in these means that it is more likely that we will deliver our strategy successfully.
OUR 150-YEAR HISTORY OF SUPPORTING PARLIAMENT

The publication of this Annual Report and Accounts marks the 150th anniversary of the inception of the National Audit Office, in spirit if not in name, by the passing of the Exchequer and Audit Departments Act on 28 June 1866. The Act established the position of the Comptroller and Auditor General and the Exchequer and Audit Department, entrusted with the responsibility for auditing the financial accounts produced by each government department.

“The 150th anniversary of the Exchequer and Audit Departments Act on 28 June 2016 provides an excellent opportunity for us to proudly reflect on our history of supporting accountability and safeguarding public expenditure. However, our focus is chiefly on the future of the NAO, to continue to raise our game to be authoritative, insightful and to use our expertise to maximise our impact.”

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office
OUR YEAR AT A GLANCE

£1.21bn
in savings for the taxpayer in 2015. The highest level of savings achieved to date. That’s £19 saved for every £1 we spent.

65
reports published covering a diverse range of public expenditure issues including major procurement programmes (eg the UK’s military equipment plan), equality of healthcare and addressing tax fraud.

82%
of the Committee of Public Accounts’ recommendations accepted.

47
Committee of Public Accounts’ evidence sessions supported.

368
accounts certified including all 17 government departments with their executive agencies and non-departmental public bodies, companies (eg Network Rail and Green Investment Bank), and international bodies (eg UN).

9
studies on local service deliveries published.

43
investigations completed including our high-profile work on the charity Keeping Kids Company.

480
external active engagements and influencing activities such as speaking at conferences and contributing to publications.

950
local government and health bodies, and nearly 10,000 smaller authorities, whose auditors are subject to our Code of Audit Practice and guidance.

£1.6 trillion
expenditure of government bodies audited.

630
pieces of correspondence from MPs and the public, each of which is carefully considered for further investigation.
OUR WORK

**Audit and assurance** £49.6m
- Financial audit opinion/report on accounts
- Reports on regularity
- Analysis of financial statements
- Controls/process assurance
- Long form reports
- Certification of accounts
- Management letters

**Value for money** £16.9m
- Value-for-money assessment
- Reports on local government
- Comparative assessment
- Landscape reviews
- Presentations
- Early stage reports

**Investigation and insight** £10.3m
- Investigations
- Good practice
- Expert advice
- Data validation
- Correspondence cases

**Support for Parliament** £4.9m
- Published reports for select committees
- Overviews of Departments
- Briefings for select committees

**International relations** £1.4m
- International technical cooperation
- International relations

**Comptroller function** £0.2m
The NAO aims to save £10 for every £1 we spend; for 2015 our final audited savings totalled £1.21bn, greatly exceeding our target of £645 million savings, equating to £19 saved for every £1 spent.

Since 2010-11, we have reduced the cost of our work by 20% (inflation-adjusted) even while increasing our role in local service delivery. This is a 26% reduction if we exclude recent local government responsibilities.

We certified 368 accounts in 2015-16 including 16 of the 17 major government departments (with the accounts for the Department for Education certified in 2016-17) plus eight pension scheme resource accounts. We produced 65 value-for-money reports and 43 investigations tackling the issues most important to the government and the taxpayer.

In 2015-16 we responded to 630 pieces of correspondence on a wide range of issues from MPs and members of the public and 78 Freedom of Information requests. We also took part in 480 external engagements such as speaking at conferences or contributing to publications.

“Further austerity has put pressure on government’s management capabilities, which in turn has placed an increasing burden on the NAO. Against this background, we have delivered a strong programme of work to support Parliament and achieved the highest level to date of financial savings for the taxpayer, of £1.21 billion, equivalent to £19 saved for every pound spent, all while reducing our costs and achieving further efficiencies.”

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office
OUR INFLUENCE

We’ve continued to increase our influence through recommendations arising from our work and building on our reputation for high quality outputs.

Our reports contribute to the scrutiny of government by Parliamentary select committees, particularly the Committee of Public Accounts. Treasury Minutes show that individual departments have accepted the Committee’s recommendations arising from our work. For those reports the Government responded to in 2015-16, the Government accepted 187 (82%) of the 228 recommendations the Committee made.

We supported 47 evidence sessions of the Committee of Public Accounts, and 17 departmental select committees through our short guides, which provided an accessible outline of each department for the relevant select committee. We also worked with select committees to provide a range of written outputs, both formal and informal.

Of the bodies we audit, 98% agreed that their overall relationship with the NAO was good and have a high regard for our financial audit work, with 83% agreeing it is of high quality. 98% said they would actively seek NAO feedback on accounting and financial control issues (up from 78% and 86% respectively in 2014).

We made 385 recommendations through our published reports, of which: 308 were accepted and 59 were still in discussion with the departments, equating to 94% of our recommendations either being implemented or in the process of being implemented for the period.

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<th>82%</th>
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<td>Of the Committee of Public Accounts’ recommendations accepted by government</td>
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<td>Of our recommendations either being implemented or in the process of being implemented for the period</td>
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Our impact on people’s lives

For every £1 we spent on our work we helped put £19 back in the taxpayer’s pocket.

But it’s not just about financial impacts. Our work has a real impact on people’s lives. We have the power to look end-to-end, system-wide at the implementation of national policy through to local delivery on the ground, and we ensure that we undertake value-for-money reports focused on local issues each year. Our work on Care Act first-phase reforms, Financial sustainability of fire and rescue services and Local welfare provision are all examples of this.

Often real people's lives are at the heart of what we do. For example, following our work on the Home Office’s contracts for the provision of accommodation for asylum seekers, in 2016 the Minister for Immigration confirmed that, in using our recommendations, standards have improved. Changes made since the report include new joint accommodation inspections, training on activity monitoring, improved policies and processes for delivering maintenance services, investing in existing stock and replacing properties below quality standards.

Our investigation in 2015 into the award of Disabled Students’ Allowances also helped promote reform in a sensitive area. Following a review in 2015, the government announced that, under new arrangements, limited public funding would be better targeted at the disabled students most in need, with universities taking an increasing role in supporting all disabled students, and has introduced stronger controls on the awards process.

The Department for Education has responded positively to our Care Leavers’ transition to adulthood report, recognising that more needs to be done, including through local agencies, to drive improved outcomes for the 10,000 children who leave care every year.
Our financial impacts

The NAO’s work saves the public money. We assess our financial impact, identifying savings achieved as a direct result of our work. The NAO’s target for 2015 was £645m (10 times the forecast net outturn of £64.5m for 2015-16). The actual audited savings achieved for the calendar year 2015 totalled £1,208, significantly in excess of the target.

The orange circles show the financial target, being 10 times our forecast net expenditure for the year, and the red circles show the actual financial impact achieved. Since 2010, we have significantly exceeded our target in every year.
Our improvement case studies

Our work also leads to beneficial change.

We monitor and discuss with departments the implementation of all our recommendations; 93% of recommendations that have been discussed have or are being implemented. Some examples of case studies are included here – read more in our report.

Rail infrastructure
The Department agrees it still has more to do to make sure other transformational projects, such as High Speed 2, Crossrail and other major rail infrastructure projects are set up to make full use of the economic opportunities they create.

Accommodation for asylum seekers
Changes made since the report include new joint accommodation inspections, training on activity monitoring, improved policies and processes for delivering maintenance services, investing in existing stock and replacing properties below quality standards.

Care leavers
The NAO report has helped to inform the policy programme overseen by the Department for Education, which includes refreshing the cross-government care leaver strategy and launching a new What Works Centre to share emerging evidence of effective practice.

Disabled Students’ Allowances
BIS took account of the issues we highlighted in its reform of the arrangements for awarding DSA in the light of technological and other changes.

Health funding
Following our report, NHS England used the additional funding it received in the 2014 Autumn Statement to accelerate the action it had started to take, through its allocations for 2014-15 and 2015-16, to move local areas closer to their estimated fair share of funding.

Fraud and error
We worked with the Department for Work & Pensions to assess their approach to reducing fraud and error, using an analytical framework based on market-leading practices in the private sector.
OUR PEOPLE

We use our funds cost-effectively and make sure we get the best from our people. We practise what we preach by delivering more with less, without compromising quality.

At the heart of our organisation are our people and we work to create a culture of support and respect that is career enhancing and allows people to deliver their best. We are also committed to our Diversity and Inclusion Strategy. Our achieved targets in 2015-16 were:

- providing eight work experience placements each year through Access Accountancy;
- establishing a valued and flexible working culture; and
- improvement in our staff survey responses to questions related to inclusivity.

- 796 full-time equivalent permanent employees
- 85% of people are interested in their work
- 82% of people feel their manager is open to their ideas
- 90% of people have a clear understanding of the NAO’s purpose
- 97% pass rate for the advanced stage accountancy exams compared to 84% nationally
OUR SUSTAINABILITY

The NAO manages its business in an environmentally responsible manner with a continued focus on sustainability.

This involves careful control over the use of resources and consumables, and minimisation of waste. In 2015-16, we:

- Reduced paper consumption by 40% since 2009-10.
- Reduced water usage by 9% since 2010-11.
- Reduced our use of electricity by 6.3% since 2010-11.
- Reduced the number of domestic flights by 29% since 2009-10.
For our full Annual Report and Accounts 2015-16 published on 29 June 2016 and all other National Audit Office publications, please visit www.nao.org.uk