



National Audit Office

September 2017



Round-up for Audit Committees

This interactive round-up comes out in spring and autumn, providing an overview of the NAO reports and communications most relevant to the needs of Audit Committees.





Overview



Introduction from Sir Amyas Morse



Management resources includes resources that are helpful for governance, oversight and risk management, such as these highlights:

Accountability and assurance summarises the new accountability requirements for departments, which also affect the bodies through which they deliver public services.

Project and contract management includes:

Exiting the EU: Our report on the Customers Declaration Service illustrates the challenges of managing the implications and risks related to the UK's exit from the EU.

Major projects: A new 'Framework' guide and three recent reports address governance, oversight and risk management in programmes, especially around costing and innovative projects.

Contract management: Shares insight on allocating risk between contractor and suppliers.

Digital transformation and fraud management includes our new 'Cyber security and information risk guidance for Audit Committees' and summarises reports, guidance and blog-posts on managing the risk of cyber-attacks, such as WannaCry, and online and off-line fraud more widely.

Workforce and skills includes:

Securing skills: Resources to help manage the risk – or issue – of shortages of capability and skills, especially in specialist areas.

Meeting workforce requirements: Including compliance with Business Appointment Rules and reporting on equality, diversity and inclusion, and 'Modern Slavery'.



Information

Local and health services – useful resources for these sectors.

Did you know? – information Audit Committees may find useful, including:

Managing donations: Good practice governance and managing risk when securing funding through donations, e.g. for museums and galleries.



Further NAO help

NAO: adding value to you: We invite Audit Committees to take advantage of the ways that the NAO can support the organisations we audit.

Further information: a guide to finding useful NAO resources.



C&AG introduction

It has been an eventful six months since our last Round-up for Audit Committees, with the General Election and extensive discussion of the implications of the decision to exit the European Union (EU). With a tight and immovable deadline for this exit, both individual departments and government as a whole need to channel resources into the highest priority projects and activities if the UK is to be prepared in time for this major change. This is particularly essential given that there are already a large number of major projects (see [page 5](#)), challenges to civil service capability ([page 7](#)) and increasing cyber-security concerns ([page 6](#)). The need for strong governance and oversight, and management of risks and inter-dependencies is more important than ever.

As our own recent Annual Report promises, we will do more to help Parliament focus on the issues that will be most critical to an efficient and effective exit from the EU. Our Annual Report also sets out our new value management programme and we highlight in this Round-Up some of the ways that we can help organisations – from annual discussions with the organisations we audit to collaborative workshops ([page 10](#)). Our ‘Framework to review programmes’ ([page 5](#)) is also an excellent example of how we are doing more to share the insights from our work across government.

Our value management programme is, to a large extent, in response to last year’s feedback on our work by the organisations we audit. I thank all of you and your colleagues who have provided feedback last year and this year.

I enjoyed meeting some of you at the cross-government ARAC Chairs Network on 5 September. We discussed how quality and timely financial reporting is not only a barometer of the finance function, but an important end in itself – crucial to accountability and the decision-making process of government.

At the event, I reflected that although around 300 accounts were certified ahead of the Parliamentary summer recess, the audit cycle felt more challenging this year and a greater than usual number of government bodies came close to missing this target.

It was interesting to reflect on the causes of this. The demands of preparations for Brexit and the timing of the general election are undoubtedly factors, but there are also questions as to the capacity of finance teams to deliver and whether too much reliance is placed on the final audit process by bodies to produce a compliant set of accounts.

We are keen to ensure that our audit approach continues to develop and are currently developing our IT and data analytics capability, which we have rolled out across a number of our clients to good effect. But there is only so far we can go in improving the efficiency and effectiveness of the audit if departments’ own financial management and control arrangements are not as strong as could reasonably be expected.

Of course Audit Committees play an integral role in this and I am interested in your thoughts and ideas. Please don’t hesitate to contact your NAO Director to discuss or [contact us](#) with your ideas.

Sir Amyas Morse

Comptroller & Auditor General



Management resources

Accountability and assurance





Effective from April 2017, the government has introduced two key improvements to accountability in response to Committee of Public Accounts (PAC) concerns that accountability arrangements were not keeping pace with the increasingly complex ways of delivering policies and services. They place requirements on the Accounting Officers (AOs) of central government departments, but also relate to the bodies within departments' 'families' and to wider governance matters.

AOs are personally responsible for ensuring that proposals to commit public money measure up to standards of regularity, propriety, value for money and feasibility, and for reporting to Parliament on the way that public funds have been used. They should request a formal 'direction' if a minister requires them to proceed with a decision about which they have serious concerns that they are not able to resolve. These issues are detailed in [Managing Public Money](#), Chapter 3.

New requirements for departments:

- Accounting Officer System Statement (AOSS):** This complements (not duplicates) the governance statement in the Annual Report and Accounts, by summarising how the department achieves accountability for all the public money within its policy remit. The AOSS should set out the systems, relationships and processes that provide the AO with assurance, including over spending through the department's ALBs, delivery partners, and major contracts and outsourced services. They must be published annually, in accordance with this [HM Treasury Guidance](#). See also: [published Accounting officer system statements](#).
- Accounting Officer Assessment:** For all major projects in the Government's Major Projects Portfolio, AOs must prepare a formal assessment at project initiation, and key decision points, to show how they assured themselves about propriety, regularity, feasibility and value for money, when giving their approval. A summary version must be published and shared with Parliament. Guidance is on the [Parliamentary scrutiny of public spending](#) web-page (which also includes 'The Accounting Officer's survival guide').

Accountability essentials

- 
A clear expression of spending commitments and objectives
- 
A mechanism to hold to account
- 
Clear roles and someone to hold to account
- 
Robust performance and cost data

These four accountability essentials are detailed in our 2016 study, [Accountability to Parliament for taxpayers' money](#). This report sets out the meaning of "accountability to Parliament" in practice and the role and responsibilities of AOs; the robustness of the AO role as a control over value for taxpayers' money; the "health" of current accountability to Parliament; and challenges to existing accountability systems. It was summarised in our blog-post [Spending your money wisely](#).

Project and contract management



Exiting the EU

Our report on [The Customs Declaration Service](#) illustrates the challenge of delivering a project that will be important in helping to deliver a smooth exit from the European Union (EU). We highlight the risks and issues that HMRC will need to manage and conclude that the whole of government must choose whether it needs to do more to help HMRC to mitigate the risk of the new system being needed, but not ready at the point that the UK leaves the EU.



Programme management and accurate costing

Our [Framework to review programmes](#) offers a detailed set of questions to ask about the purpose, value, set-up and delivery of programmes. Good practice and lessons are illustrated throughout with case studies from our 100+ reviews of programmes.

Three recent NAO reports provide further insight on some of these lessons.

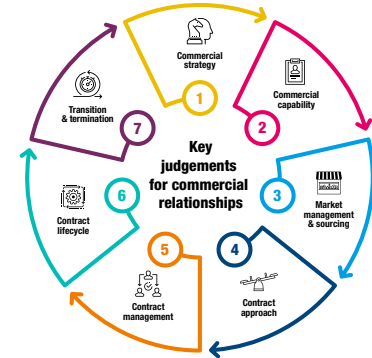
Our report on [Hinkley Point C](#) draws lessons about financing; sharing risk between government, consumers and the private sector; and oversight.



[The new generation electronic monitoring programme](#) illustrates the challenges when the implications of ambitious and innovative approaches are not well anticipated and managed.

[National Citizen Service](#) looks at the achievability of the long-term aims to up-scale the programme, and the need to address weaknesses in governance, cost control and the overall management.

See also [NAO blog-posts on project management issues](#).



Contract management

We have continued to provide additional insight to complement [Commercial and contract management: insights and emerging best practice](#).

Our blog-post, [Intelligent contract competition and risk management](#) outlines insights from recent reports to show how government can be 'an intelligent client' when negotiating contracts, and the importance of allocating risks appropriately between government and its suppliers and sub-contractors.



Digital transformation and fraud management



Digital transformation

Digital transformation offers government the potential to reduce costs while meeting people's needs. But although many government services are now available online, the more fundamental process of transforming the underlying business processes has proved more challenging.

[Digital transformation in government](#) examines the role of Government Digital Service (GDS) in supporting transformation and the use of technology across government.

Online fraud

It is estimated that there were nearly two million incidents of cyber-related fraud in 2016. It can affect anyone, harms citizens financially and emotionally, and harms businesses' finances and reputations.

[Online Fraud](#) examines the nature and scale of online fraud (excluding fraud committed against the government, which was covered in [Fraud landscape review](#) and [Fraud and error stocktake](#)); how the Home Office and others have responded to the threat; and opportunities to tackle online fraud more effectively.

See also our blog-post: [Do you feel protected as a consumer?](#)

Cyber security

Our 'Online Fraud' report was undertaken just before the May 2017 ransomware attack, which was the subject of our blog-post: [WannaCry: what does it mean for government?](#) This post sets out factors increasing the risk of cyber-attacks, and looks at what government, businesses and consumers can do to minimise the risks.

[Cyber security and information risk guidance for Audit Committees](#) sets out high-level questions for audit committees to consider, areas to be explored, and lists useful resources.

Managing fraud

Our blog-post [Lessons in fraud prevention, detection and recovery](#), looks at good practice and lessons to be learnt from the approach to tackling fraud taken by the Department for International Development (DFID). This approach was set out in our [Investigation into DFID's approach to tackling fraud](#), which also looks at measures put in place by the Foreign & Commonwealth Office and the British Council.



Workforce and skills



Accessing needed skills

[Capability in the Civil Service](#) examines whether the civil service has the capacity and skills to do all that government wants it to do, especially in light of the large number of major projects underway, the demand on digital skills and the activities needed to exit the European Union.

Our blog-post [‘Stretching civil servants’ capability](#) summarises action being taken across government and ways organisations can improve their access to skills.

See also Sir Amyas Morse’s blog-post: [A flexible, engaged approach to efficient public services](#).

Workforce planning

[Managing the BBC’s workforce](#) offers an example of workforce planning and management, including actions to reduce the cost and size of the workforce, including senior management, and to increase its geographical distribution and diversity. We review the BBC’s oversight of workforce planning and management, the key workforce challenges the BBC faces and possible improvements it could make.

Business appointment rules

Our [Investigation into government’s management of the Business Appointment Rules](#) summarises the rules set out by Cabinet Office to ensure there is no cause for justified public concern, criticism or misinterpretation when a former civil servant takes up an outside appointment or employment. We found inconsistency between government departments in complying with these rules and that none of the eight departments we sampled could provide assurance that former civil servants remained compliant with the rules for up to two years after they had left public service.

Reporting on diversity and modern slavery

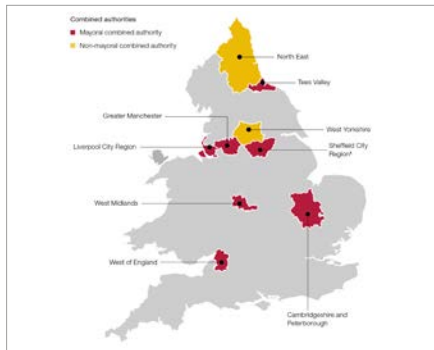
All public sector organisations must report on Diversity and Inclusion (D&I). The NAO’s [D&I Annual Report 2016-17](#) outlines our progress in implementing our three-year [D&I strategy](#).

Organisations considering their own **Modern Slavery Statement** should see the Home Office’s [Guidance for businesses](#) on how to ensure that slavery and human trafficking is not taking place in your business or supply chain.

Readers may also be interested in our [Briefing on the Equality and Human Rights Commission](#).

Information

Local and health services



Combined authorities

Combined authorities are formed of two or more local government areas, enabling cross-boundary decisions to be made more easily. The first was Greater Manchester, in 2011. They are the most recent aspect of devolution, and part of efforts to stimulate regional economic growth. At this early stage for these new structures, our report, [Progress in setting up combined authorities](#), highlights the success factors and barriers to establishing a combined authority, and highlights risks to their long-term sustainability.

Local government funding

The final 2016-17 local government finance settlement contained a new Transition Grant and an uplift in the existing Rural Services Delivery Grant, worth a combined £210.5 million in 2016-17. The new funding created substantial media and Parliamentary interest, focused particularly on the equity of its distribution. Our investigation, [Transition grant and rural services delivery grant](#), sets out the facts relating to the funding. The web-page also includes a spreadsheet showing worked-through authority-level calculations for Transition Grant.

Health

Reports on our [health and social care](#) web-page include the following.

[Investigation into NHS continuing healthcare \(CHC\) funding](#) explains the access to CHC funding for ongoing healthcare; the assessment process; the cost to the NHS; variation in access; and how access to CHC funding is reviewed.

We outline what is known about the numbers of people and funding for [Mental health in prisons](#), the provision of care and efforts to maintain prisoner well-being, and government's plans for reform.

[Investigation: Clinical correspondence handling at NHS Shared Business Services](#) sets out the facts about the backlog of 709,000 items of unprocessed clinical correspondence; the commissioning and contracting responsibilities for misdirected clinical correspondence; and the action taken by SBS and NHS England to investigate, understand and rectify the problem.



Did you know?



Overviews of departments

Most years we publish annual Departmental Overviews; guides setting out for each department, its responsibilities, spending and financial management, performance, the areas for improvement identified in our reports, and likely issues in the coming year. These can be found on our [Departmental Overview](#) web-page.

In election years, to assist new MPs, we produce 'Short guides' to departments and other key issues. These will be published this autumn and be available on our [Short guides](#) web-page.



Government Accounts

The Whole of Government Accounts (WGA) provides the most complete and accurate picture of the financial performance and position of the UK public sector. It is increasingly important to the ongoing management of the public finances. Our [Report of the Comptroller and Auditor General: Whole of Government Accounts 2015-16](#) shows a total expenditure increased from £811.9 billion in 2014-15 to 937.7 billion in 2015-16, largely due to a rise in the value of long-term future liabilities.

All our published reports on accounts can be found on our [Audit of Financial Statements](#) web-page.



Government property

The [Government Property Unit](#) (GPU) is intended to improve management and coordination of the government's central estate; some 4,600 individual holdings. Our report [Progress on the government property strategy](#) (which will be summarised on the [NAO Blog](#)) examines progress in reducing the estate's size and creating a shared, flexible and integrated estate.

We find that creation of shared Hubs for most of the civil service is still at an early stage. Some departments are not yet committed to either Hubs or to the centralised ownership of the estate through a new Government Property Agency.



Funding from donations

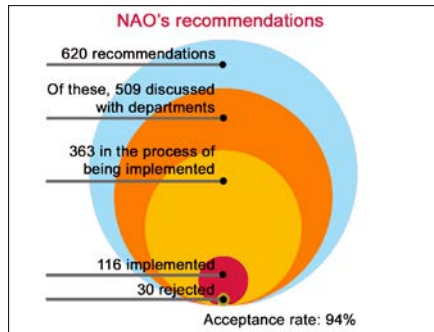
With charities such as museums and galleries relying increasingly on donations to supplement public grant funding, [Due diligence processes for potential donations](#) summarises the issues faced and best-practice management of the risks associated with donations as a source of income. Identifying scope for best practice to be applied more widely, it focuses on:

- governance and the role of Trustees;
- risk management processes; and
- management of staff and other stakeholders.



Further NAO help

NAO: adding value to you



Benefiting from investigations

Our blog-post [NAO Investigates](#) shows how our Investigations enable us to be responsive to concerns raised. Setting out the facts of a specific situation, they can provide clarity and guidance; highlight lessons to be learnt; and help to hold government to account for spending and services – as in the case of Kids Company.

For example, [Internal Drainage Boards](#) (IDBs) investigates governance and oversight arrangements, processes for raising concerns about IDBs and the potential for conflicts of interest.



A helping hand

Ways we can help organisations are outlined in our blog-post [Can better service bring in more tax revenue? How the NAO is helping government investigate](#). In this example, HMRC and NAO used workshops to explore ways HMRC could take forward a recommendation in our earlier report.

Please [contact us](#) to discuss how we can help you find solutions and apply good practice by drawing on our cross-government experience.



Sharing good practice

NAO shares good practice through our publications, blog-posts and other formats, as outlined overleaf. One such publication is [Good practice from the Excellence in Reporting in the Public Sector Award](#), which highlights examples from the 50 public sector annual reports we reviewed. It found that people want reports to:

- be logical, clear and succinct;
- be balanced in showing progress;
- be transparent; and
- detail future plans to implement priorities.

Further information

We will shortly start a programme of improvements to our website. Until then, useful NAO resources can be found as follows:

- [NAO blog](#): our experts summarise issues and challenges facing government, drawing on insight from across our reports to outline what you should look out for and how organisations have addressed issues. We encourage you to sign up to receive email alerts.

For example: [Managing conflicts of interest and keeping public trust](#) outlines types of conflicts of interest and what organisations can do to prevent, detect and address them.

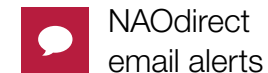
For example: [Whistleblowing good practice](#) provides an overview of whistleblowing and why it's important, linking to all the relevant resources on this subject.

- The 'Topics' tab on our website (soon to be replaced by a 'Publications by key issue' search function) links to the reports of most wide-spread value for the specified topics.

For example: [financial management](#), [operational and programme delivery](#), [oversight of service delivery](#), [strategic centre of government](#), [accountability in local service delivery](#) and [performance measurement](#).

- The 'Reports by sector' tab provides access to all reports by sector.
- Most years we publish annual [Departmental Overviews](#); guides setting out for each department, its responsibilities, spending and financial management, performance, the areas for improvement identified in our reports, and likely issues in the coming year. In election years, to assist new MPs, we produce 'Short guides' to departments and other key issues. These are being published during autumn and are available on our [Short guides](#) web-page.
- [Support for Audit Committees](#).
- [Self-assessment resources](#): our 'how to' guides and frameworks.
- [Technical guidance](#): materials on technical accounting, audit and internal control information, and good practice resources for boards and audit committees.
- Search on terms such as '[briefings](#)' to find reports.
- [Work in progress](#) gives a forward look at reports on their way.

Ways to be kept informed



NAOdirect
email alerts

Subscribe to notifications of our new website content on the topics of interest to you.

Follow us



Receive NAO's e:newsletter – contact NAO.Communications@nao.gsi.gov.uk if you don't already receive this regularly or would like to add someone else to the distribution list.

Ask your NAO team to provide you with an "NAO Update" at Audit Committee meetings.

