



National Audit Office

NATIONAL AUDIT OFFICE

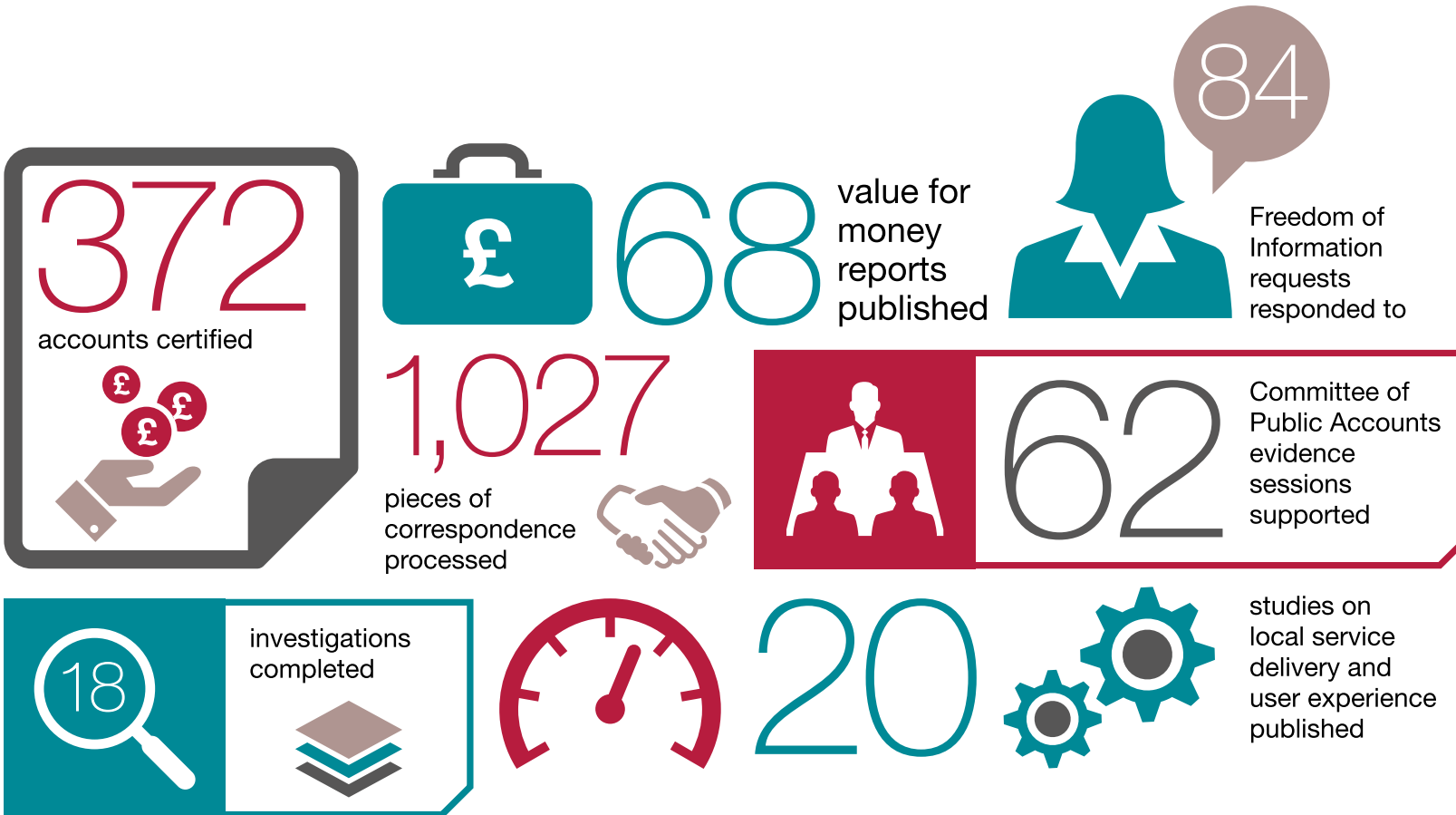
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ANNUAL REPORT AND ACCOUNTS 2016-17 HIGHLIGHTS

Read our full Annual Report
and Accounts 2016-17



OUR YEAR AT A GLANCE



OUR ROLE

The National Audit Office (NAO) supports Parliament in holding government to account for spending public money. In so doing, we help to improve the way public services are delivered.

We audit the **financial statements** of all central government departments, agencies and other public bodies and report the results to Parliament. Our **value-for-money** reports conclude on the effectiveness, efficiency and economy of government spending.

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

“We are a small organisation that has a big impact. Our portfolio of work means we audit £1.7 trillion of expenditure and £1.8 trillion of assets each year, and some of the most complex systems in the world.”

Amyas Morse, C&AG

OUR VALUES UNDERPIN EVERYTHING WE DO



INDEPENDENT

We are independent and objective, and observe the highest professional and personal standards.



AUTHORITATIVE

We deliver work of the highest quality, drawing comprehensively on robust evidence and practice.



COLLABORATIVE

We work collaboratively with colleagues, and with stakeholders, to achieve our goals.



FAIR

Our work, and the way that we treat people, is fair and just.

OUR STRATEGY

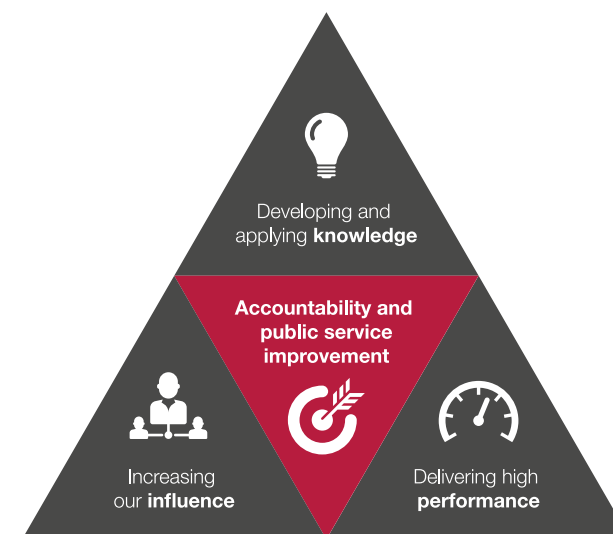
Our overall strategic objective is to support Parliament in holding government to account and driving improvement in public services.

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](#).

Our strategic objective and enablers



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.

We are responding to our challenges

Our challenges

To maximise our effectiveness in supporting Parliament we are responsive to the challenges facing government:

- **Resource constraints**
- **Exiting the EU**
- **Digital transformation**
- **Accountability for public money**

Our response

In this context, we continued to invest in our systems and people by:

- developing our digital capability
- ensuring that our programme of work includes the right amount of focus on local service delivery
- improving our commercial expertise
- expanding our investigative capacity for timely and targeted reports
- improving the depth and breadth of our messages using a variety of communication methods
- targeting our work earlier in the life cycle of government programmes

We are organised to be effective

We focus on building knowledge about priority issues shared between departments, and increasing our related technical expertise and skills that cut across a range of topics. The principal way we do this is through our clusters and our networks of experts that support our audit teams.

Our clusters

Our audit teams are grouped into six clusters. Each is focused on the strategic issues shared between departments, and this structure enables us to concentrate our efforts on the challenges likely to have the most significant beneficial effect on public services.

Our networks of experts

We have six networks of experts. They have specialist skills and capabilities relevant to all clusters and make sure we target expertise consistently.



OUR WORK

Audit and assurance **£50.5m**

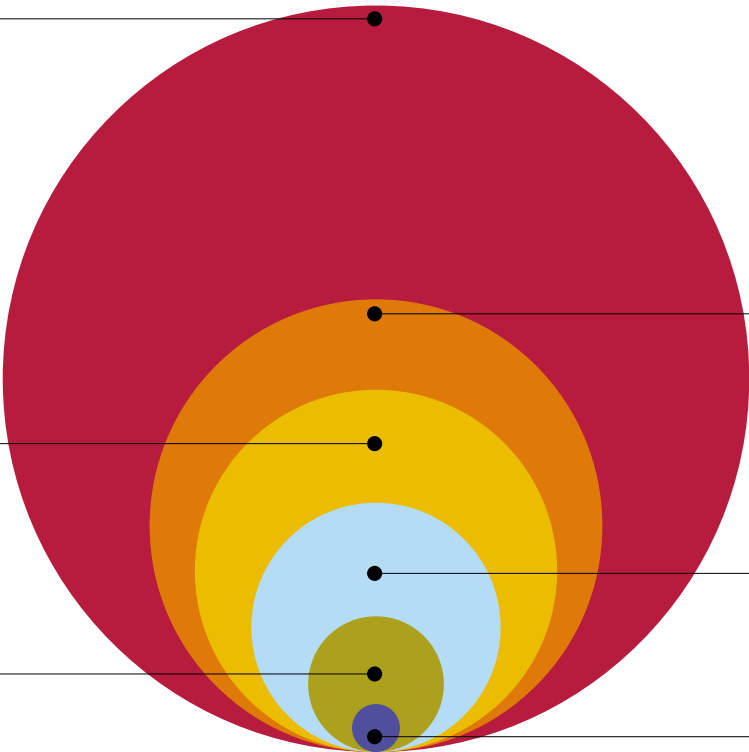
Financial audit opinion/report on accounts
 Reports on regularity
 Analysis of financial statements
 Controls/process assurance
 Long form reports
 Certification of accounts
 Management letters

Investigation and insight **£9.9m**

Investigations
 Good practice
 Expert advice
 Data validation
 Correspondence cases

International relations **£1.4m**

International technical cooperation
 International relations



Value for money **£16.1m**

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

Support for Parliament **£5.1m**

Published reports for select committees
 Overviews of Departments
 Briefings for select committees

Comptroller function **£0.2m**

Our programme of work in 2016-17



Our financial audit

We audited a diverse range of institutions, including all government departments, and certified over 370 accounts.



Value for money

We produced 68 outputs in response to the Committee of Public Accounts' requirements.



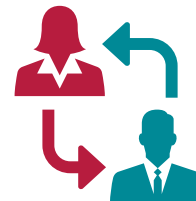
Investigations

We published 18 investigations and supported five Committee of Public Accounts evidence sessions through our investigation work.



Support for Parliament

We supported 62 Committee of Public Accounts evidence sessions through a combination of written outputs, oral briefings and expert advice. We also gave formal and informal advice and support to other select committees.



Correspondence

We provided 172 responses to correspondence from MPs, and 855 responses to correspondence from the public. We also responded to 84 enquiries under the Freedom of Information Act.



International work

We play an active role in the international audit community, working with other Supreme Audit Institutions to strengthen good governance, accountability and oversight in public administrations around the world.

OUR PERFORMANCE

We seek to measure our performance through an outcome-based framework¹

Our performance framework

Enabler	What we want to achieve	What success looks like	How we measure this
Developing and applying our knowledge	Cost-effective delivery of our programme of work, leading to positive change.	<p>Successful delivery of our programme of financial audit, Value for Money (VfM) and wider work programme.</p> <p>Our work leads to positive change in accountability and/or public services in those we audit.</p> <p>Our work generates financial savings resulting from our work of at least 10 times our operating costs.</p>	<p>The total number of reports and outputs (including financial audits) we produce; the number of reports that supported a Committee of Public Accounts hearing.</p> <p>Case studies, agreed with the audited body, which give examples of positive changes resulting from our work.</p> <p>Total value of financial savings generated by our work, as agreed with the audited body, against our final net outturn.</p>
Increasing our influence	Stakeholder awareness and response to our work.	<p>Recommendations arising from the work of the NAO and the Committee of Public Accounts are accepted and implemented by government.</p> <p>Parliamentarians are familiar with and have a favourable opinion of the NAO and support the work we do.</p> <p>Senior stakeholders in departments rate the quality of our work, and the impact we have, highly.</p>	<p>The percentage of Committee of Public Accounts recommendations that are accepted and implemented set out in the Treasury Minutes. We also include a metric showing what percentage of all NAO recommendations since April 2014 have been accepted.</p> <p>Results of the annual MPs survey we commission and monitoring of NAO mentions in Parliament.</p> <p>Annually commissioned independent feedback from the bodies we audit.</p>
Delivering high performance	Cost-effective use of funds and organisational performance.	<p>Continued efficiency without reduction in quality of our work.</p> <p>At least 80% of our resources are spent on front-line activities.</p> <p>Our people show high work satisfaction and engagement.</p>	<p>Our net expenditure, adjusted for new work, to show the like-for-like position using 2010-11 as the baseline.</p> <p>Ratio of expenditure on front-line to expenditure on corporate services functions.</p> <p>The annual People Survey of NAO staff.</p>

¹ National Audit Office, *NAO strategy 2017-18 to 2019-20*, December 2016, available at: www.nao.org.uk/wp-content/uploads/2016/12/NAO-strategy-2017-2018-to-2019-2020.pdf

OUR IMPACT

Our financial impact

- Our work saves the public money. We assess our financial impact, identifying where our work or influence has resulted in an improvement with a financially quantifiable net benefit.
- During the **calendar year 2016 the total audited impact** was **£734 million**. This represents a saving of £12 for every pound spent. Since 2010, our total cumulative financial impact has been £7.5 billion, representing a £16 saving for every pound spent.

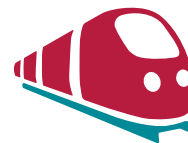
Our wider impact

Not all beneficial changes from our work can be quantified, so these case studies capture some of the qualitative improvements we bring about.



Service family accommodation

The scrutiny of the conditions in some service family accommodation and the performance of CarillionAmey that resulted from our memorandum and the Committee of Public Accounts session contributed to significant improvements in performance by CarillionAmey.



East Coast passenger rail franchise

Since publication of our report, the DfT has taken steps to ensure it has enough staff with the skills it needs to manage its franchising programme.



Energy bills

Government has since published a consumer bills report that goes some way towards addressing our recommendations, and has committed to going further to improve transparency.



Apprenticeships

In response to our recommendation, the Department developed a comprehensive set of performance measures, covering aspects such as apprentices achieving higher earnings and more apprentices from disadvantaged backgrounds undertaking higher-value apprenticeships.



Emergency Services Network

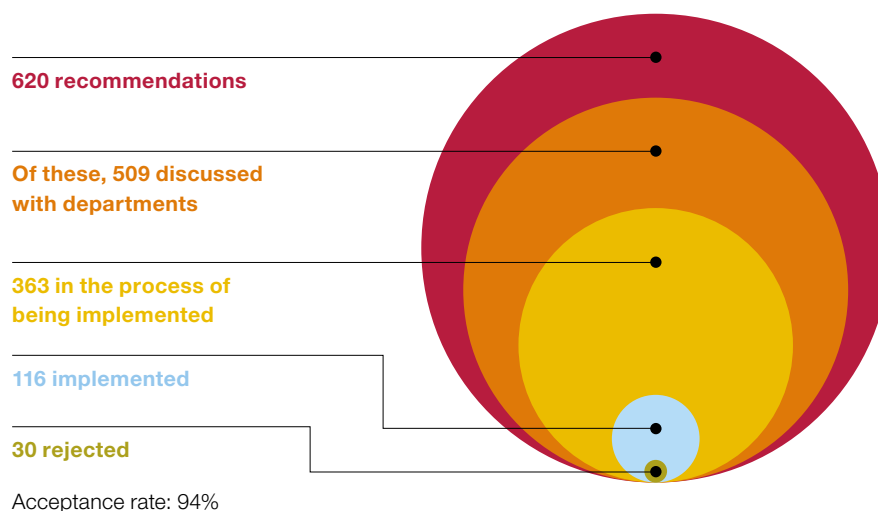
In fieldwork for our report, the Department took on board our ongoing feedback, for example updating its risk registers and appointing new staff to help engage users.

OUR INFLUENCE

Response to recommendations arising from our work

For the recommendations reported as having been responded to during 2016-17, the government accepted 349 (88%) of the 397 recommendations that the Committee of Public Accounts made.

As well as monitoring PAC recommendations, we also track implementation of *all* recommendations made in our reports since April 2014



Perceptions of the NAO

MPs continue to score us very well for being authoritative (87% of MPs surveyed say that we are above average for this attribute); acting with honesty and integrity (83%), and acting impartially and independently (81%).

Those we audit remain very satisfied with the NAO's financial audit work with 92% agreeing it is of high quality and 85% saying that they would actively seek our feedback on accounting and financial control issues.

On our value for money studies:

- 73% rated the quality of their most recent value for money study as good or very good;
- 52% said our value for money work overall has valuable insights for their organisation; and
- 33% said that their most recent value-for-money study either has already led to tangible improvements in their organisation's economy, efficiency or effectiveness, and 33% said it is likely to lead to these improvements.

OUR PEOPLE

Delivering high performance

Efficiency

We have made savings of 1% for the year. Since our baseline in 2010, we have reduced net resource costs by 21% in real terms, even while Parliament asked us to take on a much greater role in local government and as we prepare for a significant increase in our UK audit portfolio.

Our people

Our people remain our most valuable and important asset. An important aspect of our strategy is to attract and retain the high-quality staff we need to deliver our business objectives.

Our graduate pass rates are consistently above the national average. Last year, 91% of our trainees passed the Professional Stage examinations for the Association of Chartered Accountants qualification at the first attempt (compared with 86% nationally) and 91% passed the Advanced Stage examinations at the first attempt (compared with 85% nationally).

Our 2016 survey showed improvements across all categories and that the results compare favourably with our benchmarks:



88%

of people are interested in their work



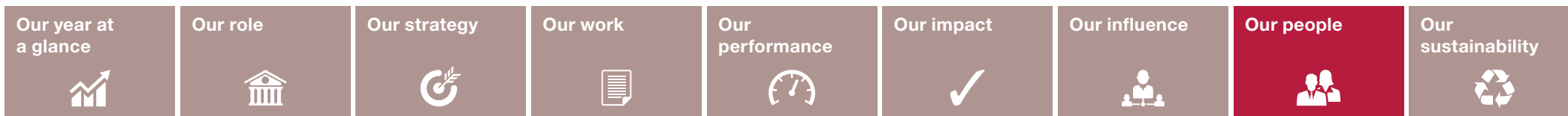
93%

of people have a clear understanding of the NAO's purpose



77%

of people say they feel proud when they tell others they are part of the NAO



Diversity and inclusion

Over 2016-17 we have made good progress against our three year strategy, launched in 2015, to embed diversity and inclusion across the NAO. This includes:

- Our intake of graduates from a BAME background grew from 21% in 2016 to 41% in 2017 (based on job offers accepted)
- We expanded our summer internship programme to include five students from disadvantaged backgrounds
- 50% of female applicants for director posts were promoted, compared with 25% in 2015-16. Four of the five promotions to Director in 2016-17 were female.
- More of our people feel they are treated fairly at work (82% of staff, up from 77% in 2015) and that the NAO respects individual differences (77% of staff, up from 67% in 2015)

For more information, please see see our [Diversity and Inclusion Strategy](#)



OUR SUSTAINABILITY

Holding government to account on its environmental performance

Our greatest potential environmental impact arises from our role in holding government to account on performance against its environmental objectives. One way we do this is through our support to the Environmental Audit Committee.

Improving our environmental sustainability

We manage our business in an environmentally responsible manner, with a continued focus on sustainability. This involves carefully controlling our use of resources and consumables, and minimising waste. We have challenging sustainability targets in all these areas.²

² Information about our environmental and sustainability policy, including roles and responsibilities, is on our website. Available at: www.nao.org.uk/about-us/wp-content/uploads/sites/12/2013/02/NAO-Environmental-Policy.pdf

Plant and equipment

Target	Result
20% reduction in CO ₂ e by 2016-17 (compared with 2010-11)	12%

Business travel

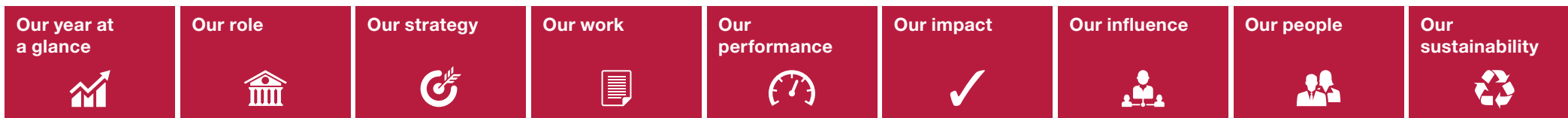
Target	Result
20% reduction in domestic flights by 2016-17 (compared with 2009-10)	39%

Waste generation and paper consumption

Target	Result
25% reduction in generated waste by 2016-17 (compared with 2011-12)	26%
20% reduction in paper by 2016-17 (compared with 2009-10)	66%

Water usage per full time equivalent (FTE) employee

Target	Result
Ratio of 4m ³ to 6m ³ per FTE by 2016-17	5.4m ³




For our full Annual Report and Accounts 2016-17 published on 23 June 2017 and all other National Audit Office publications, please visit www.nao.org.uk

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