



National Audit Office

# The National Audit Office modern slavery and human trafficking statement 2017-18

**JUNE 2018**

## **Introduction**

This Statement has been produced in accordance with the Modern Slavery Act 2015. The Statement details the steps that the National Audit Office (NAO) has taken during the 2017-18 financial year to prevent modern slavery and human trafficking in NAO's supply chains or our business.

## **Organisation structure, business and supply chains**

The NAO supports Parliament in holding government to account for the way public money is spent and to drive improvements in the way public services are delivered. We do this by fulfilling our statutory responsibilities for financial audit and value-for-money examinations across central government and where appropriate, local public bodies.

We audit the financial statements of all central government departments, agencies and many other public bodies and report the results to Parliament. Our value-for-money examinations address the economy, efficiency and effectiveness with which public bodies have used their resources.

We are independent of government. The head of the NAO is the Comptroller and Auditor General (C&AG) – Sir Amyas Morse KCB – and is an Officer of the House of Commons and a Crown appointee.

The NAO is funded by money voted to it by Parliament and by fees levied on its client base for some of the services it provides. Parliament sets our budget, scrutinises our performance and appoints our external auditors through a House of Commons committee called the Public Accounts Commission. Our governance arrangements are established under the Budget Responsibility and National Audit Act 2011 and reflect our unique statutory position by balancing Parliament's wish for independent oversight of the NAO's operations, while preserving the C&AG's discretion in the performance of his statutory audit responsibilities.

The average number of people employed by the NAO during 2017-18 was 814. Most were based at our London headquarters with approximately 100 in our Newcastle office. The overwhelming majority of our full-time equivalent permanent staff<sup>1</sup> (comprising 806 of 814) are employed on a full employment contract, which includes formal rights and entitlements as set out in NAO's Human Resources (HR) policies.

<sup>1</sup> Actual headcount fluctuates during the year and will be higher, as a number of people work part-time. However, this is the number equivalent for the year in terms of full-time employees.

Around 70% of the NAO's cost base is for the salaries and related costs of staff who perform our audit and assurance work. The NAO recruits around 70–80 graduates and school-leavers each year and supports them in gaining a professional accountancy qualification. In 2017-18, the NAO spent some £58.2 million of its annual budget on staff costs.

In 2017-18, the NAO also spent £22.9 million on the purchase of goods and services. This included audit services purchased from professional accountancy firms, IT support and training to assist the delivery of audit projects, and the cost of maintaining our London and Newcastle offices. Less than 30% of the NAO's annual expenditure is spent on external organisations or a supply chain we do not directly oversee. Such expenditure is incurred in compliance with our procurement policy, which requires a competitive process and the use of government frameworks where these are available.

### **Modern slavery and human trafficking policy**

We have a zero tolerance policy to modern slavery and human trafficking. We are committed to ensuring that it does not exist in our supply chain or in any part of our business. If we become aware that one of our suppliers is accepting of modern slavery or human trafficking in their business or supply chain we will review our rights to cancel the relevant contract/s and notify the appropriate authorities.

### **Due diligence processes, risk assessment and steps taken**

Overall the nature of our business means that the risk of modern slavery and human trafficking in our directly managed business activities and the first line of our supply chain is low. We have assessed our operations and our supply chain for areas where practices of modern slavery or human trafficking may occur and concluded we have preventative actions in place. These are summarised in the table overleaf.

---

### Operations

**Direct appointment of people.** The NAO directly employs people to carry out its audit and assurance work and provide business support services.

From time to time, the NAO also has people seconded in from other organisations.

### Preventative actions

The NAO has a clearly defined set of HR policies and processes which set out the rights and entitlements of its people and are aligned closely to those recommended across the civil service. The NAO consults its staff before making any changes to these policies. There is an active trade union and the NAO works closely with the union in setting policies. All NAO employees are subject to security checks before being offered employment.

The NAO is confident there are no instances of modern slavery or human trafficking among its employees, and that there is an adequate set of policies and procedures to prevent this. There are also nominated individuals (Dignity at Work leads) across the organisation who, outside of direct line management responsibilities, provide a confidential support service to people who are experiencing problems with dignity at work issues. This provides an additional channel for raising issues of inappropriate behaviour or treatment – for example, if an employee felt uncomfortable raising such matters through the usual central HR procedure. All staff also have access to an Employee Assistance Programme, which operates independently of the NAO and provides support and advice to staff on a wide range of issues. This includes issues unrelated to their employment.

Where we have someone working for us on inward secondment, we carry out due diligence before these individuals join us and also provide them with the same support and duty of care that we provide to our own employees when they are with us.

---

**Indirect appointment of people** through a contract with a supplier. These may comprise temporary agency staff, or staff provided under contract for services with third parties to provide contractors and consultants during the year. This includes engagements with accountancy firms who provide resources to supplement NAO's staffing needs as necessary by performing audit work on our behalf.

The management of our London property also includes activities under contract, such as the provision of personnel for office services who work on site and under NAO supervision.

The NAO operates a formal procurement policy for entering into contracts for goods and services. This includes making use of government frameworks where they are available.

Our procurement policy requires that all proposals for contracts in excess of £10,000 include a specific question of the supplier as to whether there has been any incident involving modern slavery or human trafficking in their business in the previous three years. Published statements will be reviewed before the final contract is awarded.

The NAO can exclude any supplier where issues around modern slavery or human trafficking are identified as part of a procurement exercise. However, we would give the supplier an opportunity to provide evidence of the circumstances and any remedial action that has since taken place. We would take these factors into account when making our final decision.

The management contract for the London and Newcastle properties stipulates that all contractors working on the NAO contract must be paid the Living Wage. The pay rates are set out in the contract and, as an open book contract, the NAO verifies that payments to contractors are made in line with the agreed rates at the end of each financial year (March).

---

**Purchase of goods and services from suppliers** who employ people in their own supply chain.

We purchase a range of goods and services to run our office and our audit practice – for example, IT-related equipment and services, training activities and the cost of utilities to run our London and Newcastle offices.

These are often small value and frequent purchases and it is not practical to investigate all supply chains in detail. However, as noted above, our procurement policy now stipulates that every procurement exercise in excess of £10,000 must include an assessment by the buyer of any concerns around the supplier and consideration of such matters as part of the formal evaluation process.

---

## **Training**

Given our assessment that the risk of the NAO engaging in practices including modern slavery and human trafficking is low, we have not deemed it appropriate to provide training to all our staff. However, once published, we draw attention to this Statement to all NAO staff by promoting it on our internal intranet to remind staff of our zero tolerance policy on modern slavery and human trafficking. This helps to ensure NAO staff remain constantly vigilant and alert to any poor practices in our suppliers.

## **Effectiveness in preventing modern slavery and human trafficking**

The NAO's strategic and operational risks are reviewed and reported to the Leadership Team each month and included as a standing item on the Board meeting agenda. These risks could affect our strategic objectives and so are monitored and managed actively to ensure that our strategy remains achievable. A full report on our risk management process and associated actions is given in the Governance Statement within our Annual Report and Accounts.

We consider that the NAO's risk management process provides a robust mechanism to ensure the prompt escalation of issues relating to modern slavery and human trafficking should they arise. Taken together with the other measures described in this Statement and the low inherent risk present within our business, we have not put in place additional detailed performance indicators and consider that the preventative steps we have taken are appropriate and proportionate to the risk we face currently.

The annual internal audit work programme is designed using a risk-based methodology. In 2017-18 the programme included a specific review on NAO's approach to compliance with the Modern Slavery Act, supplemented by seven audit assignments which comprised regularity and compliance testing of NAO's recruitment of staff, and contract management of suppliers, including those which could exhibit employment features exposing them to a higher risk of modern slavery and human trafficking. These reviews provided positive assurance conclusions and were reported to the Leadership Team and the Audit Committee. In addition, in February 2018, the NAO Audit Committee considered a paper on options for further developing assurance around the discharge of NAO's legal responsibilities.

This Statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the NAO's modern slavery and human trafficking statement for the financial year ending 31 March 2018.

Statement approved on 25 June 2018



Daniel Lambauer  
Executive Leader, Strategy & Operations

© National Audit Office 2018

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact [copyright@nao.gsi.gov.uk](mailto:copyright@nao.gsi.gov.uk). Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.



National Audit Office