



National Audit Office

March 2019



# 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.





## C&AG introduction

Dear colleagues,

As many of you will be aware, my term as C&AG is due to end in May when I will have completed ten years in the role. Looking back, the environment we find ourselves in has changed dramatically over this time – the fall-out of the financial crisis, austerity, devolution and now Brexit, to name but a few. Internally, developments in technology have changed the way many of us conduct our business – opening the door to a new wave of opportunity and risk.

Amid all the change and volatility, the fundamental principles and purpose of good governance and accountability endure. Executive teams across the public sector are grappling with new and difficult challenges in an era of sustained financial pressure. Audit Committees, more than ever, need to provide challenge that decisions taken are based on sound rationale and robust information analysis.

From my own experience of working with Audit Committee networks, I can see the strides Committees have made in recent years to increase their influence and provide an effective challenge function. You bring really valuable insight and expertise in areas where the Civil Service lacks experience. I think the contribution you make has strengthened very significantly over my time in the C&AG role. I hope these updates and accompanying material we produce have helped. I know I have always felt among like-minded people when we have got together, and I am grateful.

Finally, I would like to extend my sincere thanks for working so closely with my audit teams up and down the country. Together we have strengthened accountability and governance and, in doing so, supported public service improvement and greater value for taxpayers.

All we can be certain of is that more uncertainty is around the corner, and I wish you well for meeting the challenges ahead.

**Sir Amyas Morse**

Comptroller & Auditor General

### New C&AG

On 6 March 2019, the House of Commons approved the motion moved by the Prime Minister to appoint Gareth Davies as the next C&AG. Gareth will take up post from 1 June 2019. As detailed in our [press notice here](#), Gareth brings a wide range of private and public sector executive and leadership expertise.



# Planning and spending

## Improving government's planning and spending framework



Through its planning and spending framework, the centre of government sets priorities, plans activity, allocates money and monitors progress and performance. This integrated approach is necessary to ensure plans are deliverable, affordable, coordinated, and represent good value for money for UK taxpayers.

Since 2015, each department has been required to prepare a single departmental plan (SDP) setting out how it intends to implement its objectives and deliver public services within its delegated budget. These are [published on gov.uk](#).

Our report sets out the planning and spending framework, examines progress on using SDPs for departments' business planning, and outlines the challenges for the Spending Review 2019 and beyond.

## Lessons for planning organisations

SDPs have helped departments to clarify their objectives and internal accountabilities, and to take a more professional approach to planning. HM Treasury has committed to using SDPs as the basis for Spending Review discussions. However, for that to work, SDPs need to be fully aligned with internal decision-making in departments and their public bodies. Accounting Officers could provide more assurance that their plans are affordable, can be delivered within expected capability, and are aligned with others' activities.

We have set out questions organisations can ask themselves to improve the achievement of their intended outcomes and value for money. Without a significant change in mind-set, government will continue to be trapped in a cycle of short-termism, over-optimism and siloed decision-making – both within and between organisations.

## Self-assessment planning maturity questions

**Is planning really integrated** across strategy, finance and the workforce, and with cross-government plans?

**Are you planning to deliver value?** Does your plan set out the relationship between inputs, outputs and outcomes?

**Do you have a clear, agreed set of objectives** against which you can line up the options? Is everyone bought into the choices?

**Are you being over-optimistic** about what can be delivered, or what efficiencies can be achieved within your resources? Have interdependencies between projects been taken into account?

**Are you managing in-year costs rigorously, but flexibly?** Are short term spending controls threatening longer-term value?

**Have you got a single plan?** If you're in a department, is your SDP the same as your internal business plan? If you're not in a department, are you familiar with and/or aligned with the relevant SDP?

**Have you built in collection and use of performance data?** Are you using that data to know if you are on track to deliver the planned value and adjusting course rapidly if not?



# Useful resources

## Guidance and Overviews

### Guidance for Audit Committees on cloud services

The “cloud” is a term for using the internet to store data outside an organisation’s own premises, and, increasingly to access services. The use of cloud services can reduce costs, improve efficiency and transform operations, but it can create new issues if the approach and implementation aren’t considered carefully.

To help audit committees to consider the issues, we will shortly publish ‘Guidance for Audit Committees on cloud services’ on our [Support for Audit Committees](#) web-page. It will complement and summarise other cloud guidance, setting out specific questions audit committees can ask.

See also our earlier [Cyber security and information risk guidance for Audit Committees](#).

## Departmental Overviews

This suite of publications provides a quick and accessible overview of the major government departments, how they spend their money and their major areas of work. We also cover a number of key issues, including Commercial and Contracting (see page 5).

### A reminder

Our web-page [Support for Audit Committees](#) provides easy links to resources such as:

[Good Practice from the Excellence in Reporting in the Public Sector Award – Building Public Trust Awards](#)

[Transformation guidance for audit committees](#): sets out questions and the evidence and indicators to look out for at each stage of the transformation process, and about the role and management of data.



# Useful resources

## Programmes and contracts



### Framework to review programmes

sets out the key questions we ask when reviewing major projects and programmes, and provides links to more detailed guidance on specific

issues. We will shortly update this framework, including some new questions and new examples from our recent studies.



### Projects leaving the Government

Major Projects Portfolio examines the evidence for whether major government projects have delivered their intended benefits, and whether accountability for, and transparency of, major project delivery has improved. We found that it's not always possible to say what these projects have achieved. This can be down to poor monitoring or follow-up, or because there was never a business case setting out the intended benefits.

We recommend that organisations should manage the delivery of major projects until it is clear what benefits have been achieved, and publish evaluations on projects when they are complete to help learn lessons.



### Commercial and Contracting

Overview is one of our suite of Departmental Overviews (see page 4). It presents ten case studies and covers what government does, how much it spends, recent and planned changes, and what to look out for. It includes sections on: getting it right at the start; managing contracts better by improving use of intelligence and performance measures; and improving government's market management. It also summarises our methodology for auditing commercial relationships.



### The power of information for contracts

is the latest in our 'Contract insights' series of blog-posts. It identifies further insights from our recent reports on Capita and Carillion contracts.



## Useful resources

### Performance measurement and environmental metrics



**Environmental metrics: government's approach to monitoring the state of the natural environment.** In 2018

government published its [25-Year Environment Plan](#). Achieving its aims will

require significant and coordinated action across a range of different sectors of the economy. Our briefing sets out our expectations of good practice for an effective system of performance metrics, and examines the government's current and planned environmental metrics.

#### Good performance measures

Our environmental metrics briefing draws on our wider good practice. In any policy area, a performance measure should:

- **be relevant** to what the organisation is aiming to achieve;
- **avoid perverse incentives** that encourage unwanted or wasteful behaviour;
- **be attributable** – the activity measured must be capable of being influenced by actions which can be attributed to the organisation; and it should be clear where accountability lies;
- **be well-defined** – with a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use;
- **be timely**, producing data regularly enough to track progress, and quickly enough for the data to still be useful;
- **be reliable** – accurate enough for its intended use, and responsive to change;
- **be comparable** with either past periods or similar programmes elsewhere; and
- **be verifiable**, with clear documentation behind it, so that the processes which produce the measure can be validated.



## Local and health services



### Local government in 2019: a pivotal year:

Abdool Kara, NAO's Executive Leader for Local Services, blogs about challenges facing the sector in 2019, from budget cuts and growing social

care demands, to local service funding reforms and new risks from local government commercialisation. He draws on our recent reports, including [Financial sustainability of local authorities](#), [Pressures on children's social care](#) and the two reports below.



**Local authority Governance:** Poor governance can make the difference between local authorities coping and not coping with their considerable funding and demand challenges. We describe

local governance arrangements and examine whether they are providing assurance that local authorities are financially sustainable and their spending is delivering value for money.



### Local auditor reporting in England 2018:

Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit, by maintaining a

[Code of Audit Practice](#). Our report summarises the issues being reported by local auditors and how the information is used. Auditors found significant weaknesses in arrangements to secure value for money at an increasing number of local public bodies: 22% in 2017-18 overall, and in 38% of local NHS bodies. We recommend that: these bodies should address these weaknesses promptly; those charged with governance to do more to challenge and hold the executive to account; and local auditors make more use of their powers to draw public attention to significant issues, especially where local bodies are not taking sufficient action.



### Planning for new homes

assesses how effectively the Ministry of Housing, Communities & Local Government supports the local planning regime to provide the

right homes in the right places.



### NHS financial sustainability

summarises the financial position of NHS England, Clinical Commissioning Groups (CCGs) and trusts; assesses whether incentives encourage long-term financial

sustainability; and examines progress in integrating health and social care.



### A review of the role and costs of clinical commissioning groups (CCGs)

sets out the role, running costs and performance of CCGs; and the past and potential future commissioning

landscape. Given the significant upheaval caused by major organisational restructuring, we highlight the importance of ensuring that the current restructuring of CCGs creates stable and effective organisations that can focus on transforming and integrating health and care services, rather than on reorganising themselves.

## Further information

### Find your way around our website

[Support and guidance](#) provides easy access to financial technical guidance resources such as:

- [Support for Audit Committees](#)
- [Support for Boards](#)
- [Self-Assessment Resources](#)

[Publications on key issues](#) links to the publications most useful for issues such as Financial Management, Oversight of Service Delivery, and [Exiting the EU](#). The latter links to our c.20 reports on EU Exit, mostly briefings, which help inform Parliament about the practical consequences of the various exit scenarios. They include [Exiting the EU: The financial settlement – follow-up report](#): new information has enabled us to provide an update on our earlier assessment of HM Treasury’s estimate of the cost of the settlement.

### NAO Blog

Use the ‘[tags](#)’ to search for posts by category, such as [Risk management](#).

### NAO email alerts and preferences

Use our [preference centre](#) to tailor the email alerts you receive about new content on our website, such as by sector. You can change your preferences or opt-out at any time.

### NAO e:newsletter

Sign up on our preference centre to receive our approximately bi-monthly summary of new publications and see recent editions of our [e:newsletter here](#).

### NAO email addresses have changed

The NAO email domain has now changed to @nao.org.uk and NAO staff will not receive emails from the former @nao.gsi.gov.uk domain. Please update your records to use the following format: [firstname.lastname@nao.org.uk](#).

## Ways to be kept informed



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

Follow us



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

If you have any questions about this Round-up, please contact NAO at: [nao.communications@nao.org.uk](mailto:nao.communications@nao.org.uk).



