



National Audit Office

# The National Audit Office (NAO) modern slavery and human trafficking statement 2018-19

**AUGUST 2019**

## **Introduction**

This Statement has been produced in accordance with the Modern Slavery Act 2015. The Statement details the steps that the NAO has taken during the 2018-19 financial year to prevent modern slavery and human trafficking in our supply chains or NAO's 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), Gareth Davies, who 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 were 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 2018-19 was 826. Most were based at our London headquarters, with approximately 100 in Newcastle. The majority of NAO employees are engaged on open-ended employment contracts. Employees on fixed-term contracts are eligible for the same benefits as permanent employees. We have robust HR policies and processes, which are applied consistently across our office locations and which aim to comply with the spirit as well as the letter of relevant legislation.

Our corporate values – Independent, Authoritative, Collaborative and Fair – underpin the work of the NAO and the way that we behave. Our value of 'Fair' sets out our commitment that our work and the way that we treat people is fair and just.

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 2018-19, the NAO spent some £60 million of its annual budget on staff costs.

In 2018-19, the NAO also spent £24 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 exercise 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 preventive actions in place. These are summarised in the table below.

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**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.

**Preventive 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 eligibility-to-work checks before commencing 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 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 secondments, 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.

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**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 include 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 public sector 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 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.

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Operations	Preventive actions
	<p>Periodically, the NAO supplements its workforce with temporary staff contracted from recruitment agencies. These contracts are predominantly selected from public sector procurement frameworks under which the NAO can confirm that the rates of pay received by the worker are in line with, or above, the UK minimum wage. The NAO also complies fully with the Agency Workers Regulations 2010 (AWR), which requires that any agency worker who completes a 12-week qualifying period in the same role receives the same basic working and employment conditions as permanent NAO staff.</p> <p>The NAO has significant contracts for the management and provision of security services to its property, catering and other office services. The NAO has insisted in the contracts that all people working on NAO contracts 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 these people are made in line with the agreed rates at the end of each financial year (March).</p> <p>The NAO has a no-fee contract for the provision of gym facilities and instruction at the NAO offices. The NAO identified that the supplier was not paying one of its gym instructors the Living Wage. The NAO insisted that the supplier changed the terms of appointment for the instructor, and this has now been done.</p>
<p><b>Purchase of goods and services from suppliers</b> who employ people in their own supply chain.</p>	<p>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.</p> <p>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.</p>

## Raising awareness

We have established a Contract Management Group to bring together all staff who are involved in contract management and the group meets quarterly to share best practice and common issues. We will use this group to raise awareness of the risks associated with modern slavery and human trafficking and how to identify occurrences within our supply chain as well as provide them with the confidence to challenge areas of concern.

For other staff groups, based on our assessment, we believe the risk of staff engaging with or encountering practices of modern slavery and human trafficking are low. We have therefore not deemed it appropriate to provide training to all our staff. However, once the NAO's Modern Slavery and Human Trafficking Statement is 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**

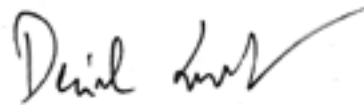
The NAO's strategic and operational risks are reviewed and reported to the Leadership Team each month and included as a standing item on the Board meeting agenda. These risks could affect our strategic objectives and so are monitored and managed actively to ensure that our strategy remains achievable.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

The annual internal audit work programme is designed using a risk-based methodology. As part of the work programme, internal audit completed a full scope review of modern slavery arrangements in 2017-18 and for 2018-19 conducted additional analytical review and limited regularity testing. The internal audit work did not identify any issues or concerns that there were instances of modern slavery and human trafficking.

In the next financial year, the NAO's central procurement team plan to implement further checks on our existing supply chain. We have identified critical and strategic contracts and we will check for ongoing assurance that they regularly publish and keep their Modern Slavery Statement up to date.

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, we believe that the preventive steps we have taken are appropriate and proportionate to the risk we face currently.

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 2019.



Daniel Lambauer  
Executive Leader, Strategy & Operations

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