



National Audit Office

ANNUAL REPORT AND ACCOUNTS

2021-22

30 June 2022

HC 512

We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2021, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £874 million.

National Audit Office

Annual Report and Accounts 2021-22

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 29 June 2022

**This report is presented to the House of Commons
pursuant to Paragraph 25(8) of Schedule 2 and
Paragraph 9(3) of Schedule 3 to the Budget
Responsibility and National Audit Act 2011**

**Gareth Davies
Comptroller and Auditor General
National Audit Office**

21 June 2022

This report can be found on the National Audit Office website at www.nao.org.uk

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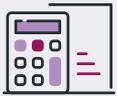
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2021-22 OUR YEAR IN HIGHLIGHTS

As the UK's independent public spending watchdog, we help to improve public services through our high-quality audits.

supported Parliament in holding government to account



400

audited accounts published



58

value-for-money reports and investigations published



69

Committee of Public Accounts sessions supported

90%

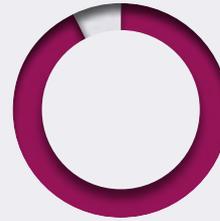
of surveyed MPs agreed we were effective at supporting Parliament in holding government to account and scrutinising public services

encouraged government to learn and embed lessons

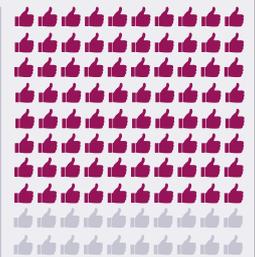


5

lessons learned reports published



of the recommendations we made between 1 April 2019 and 31 March 2021 have been accepted or partially accepted by government, and details published in our recommendations tracker



80%

of surveyed senior officials in the bodies we audit agreed that our work leads to better outcomes

2021

APR

Published our first report of the year – [A financial overview of the rail system in England^a](#)

Published our first lessons learned report of the year – [Initial learning from the government's response to the COVID-19 pandemic^b](#)

MAY

2021

2021

JUN

Launched our new Diversity and Inclusion Strategy for 2021–2025 and published our 2020–21 annual report and accounts

JUL

2021

2021

AUG

Welcomed our 2021 intake of audit trainees

SEP

2021

^a Comptroller and Auditor General, *A financial overview of the rail system in England*, Session 2019–2021, HC 1373, National Audit Office, April 2021. Available at: www.nao.org.uk/report/a-financial-overview-of-the-rail-system-in-england/

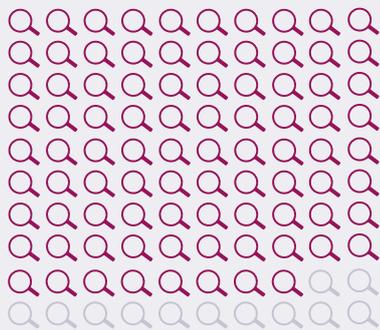
^b Comptroller and Auditor General, *Initial learning from the government's response to the COVID-19 pandemic*, Session, 2021–22, HC 66, National Audit Office, May 2021. Available at: www.nao.org.uk/report/initial-learning-from-the-governments-response-to-the-covid-19-pandemic/

used our expertise across financial audit, value-for-money and wider assurance work to draw out impactful insights



8

good practice guidance reports published



88%

the surveyed senior officials in the bodies we audit agreed we provide insight

had impact and made progress in other areas of our work and organisation



£11

of positive financial impact from our work for every £1 spent



1.7

percentage points reduction in our mean gender pay gap, indicating progress with our Diversity and Inclusion Strategy and diversity pay gap



712 tonnes

a reduction to 712 tonnes of carbon emissions from electricity and gas, compared with 770 tonnes in 2020-21

2021

OCT

The first of our 2020-21 Departmental Overviews for the year is published on the BBC Group

The Public Accounts Commission held an evidence session on work to improve our audit quality plans – we expect these to be annual in the future, and we held our Local Government Reference Panel

NOV

2021

2021

DEC

Published our report on Evaluating government spending, drawing on cross-departmental surveys on evaluation evidence^c

Final departmental accounts certified

JAN

2022

2022

FEB

Published our strategy update highlighting the significant progress made during the first two years of our five-year plan

Launched our Social Mobility Action plan

MAR

2022

^c Comptroller and Auditor General, *Evaluating government spending*, Session 2021-22, HC 860, National Audit Office, December 2021. Available at: www.nao.org.uk/report/evaluating-government-spending/

Performance report



This section provides an overview of the National Audit Office (NAO), setting out our purpose and structure and analysing our performance against our strategic objectives.



This has been another extraordinary year, both for the many parts of government providing public services and for us at the NAO. It has been demanding and challenging for everyone, but we are moving forward. We are making clear progress against our strategy, and – as this annual report shows – we have delivered a wide range of reports and outputs that show how our independent scrutiny helps Parliament to hold government to account. Everyone at the NAO can be proud of what we have achieved this year.

Chair's statement

It sometimes feels as though we are living with constant and recurring crises. The COVID-19 pandemic has persisted throughout the past year; the climate and nature crises are becoming more urgent and visible; and now we are witnessing the tragedy of the war in Ukraine, which in addition to the terrible human impacts there, is putting even more pressure on the cost of living and providing services for everyone in this country.

In all of these areas, and more, our work is crucial. Across the range of our interventions: financial audit, value-for-money and wider insights, we are assessing the effectiveness of government spending, value for money and delivery. We have focused on many specific areas of concern; not least the important public finance issues arising from the COVID-19 pandemic; and we are gathering insights from programmes across government, focusing on both short- and longer-term priorities. We are producing lessons learned reports and good practice guidance to help support improvement in the delivery of public services, something about which I care deeply.

The quality of our work is incredibly important to us, and we have a number of ways of ensuring we maintain and improve our own standards. We launched a major programme this year to modernise and embed continuous improvement in our audit quality systems, and we've been delighted by the positive, independent feedback we've received from members of Parliament and senior officials in the bodies we audit. Overwhelmingly they rate our work highly and believe it leads to improvement in outcomes and value for money.

Throughout this annual report we provide examples of what we mean by this; and we are determined to continue to demonstrate direct financial and wider impacts as a result of our work.

However, I think our task is getting harder. Many of government's priorities – whether levelling up, delivery of health and social services, or addressing the climate and nature crises – are not containable issues, but long-term, systemic challenges that cut across organisational and departmental boundaries. They pose challenges to us, as well as government, and we will keep our own processes under scrutiny in order to support the government to do a better job, whether through our financial audit or value-for-money work. So while we are proud, we are not complacent. The demands of, and on, the audit profession grow each year, and we seek to offer an ever better service to MPs and the organisations we audit. We begin the next year with an ambitious plan to do even better.

Our staff work incredibly hard, and this year has been even more demanding than usual. Late and overlapping departmental audits, new areas of government expenditure and the growing challenge of cross-cutting, thematic work all place pressures on our staff. We have successfully reached an effective mix of working in our offices, at the organisations we audit and at home, while ensuring that we work productively and produce high-quality outputs. I am enormously grateful to them all as they have risen to these challenges.

We are fortunate to have a very clear purpose as the UK's independent public spending watchdog, and we are all highly motivated by the job we do. My warmest thanks go to my colleagues on the NAO Board, to Gareth as Comptroller and Auditor General (C&AG) and to the NAO's staff for all they have done to make this a highly successful year.

Dame Fiona Reynolds
Chair

Gareth Davies



Comptroller and Auditor General's statement

Auditing the government's spending on its COVID-19 response was the dominant challenge for the National Audit Office in 2021-22. Our audits improved the transparency and accuracy of government financial reporting at a time of considerable public interest in how more than £370 billion in public spending for the pandemic response has been used. I am immensely grateful to my colleagues for rising to this challenge so effectively.

Our audits of the 2020-21 accounts of the government departments and other public bodies most affected by the COVID-19 pandemic tackled exceptional risks. This included the £8.7 billion total impairment included in the Department of Health & Social Care's valuation of its stock of personal protective equipment and the estimated £4.9 billion at risk from fraudulent bounce back loans reflected in the balance sheet of the Department for Business, Energy & Industrial Strategy.

In addition to our financial audits, from the start of the pandemic to the end of March 2022, we had published a total of 35 value-for-money and lessons learned reports on the main elements of the COVID-19 response. These reports have been used by the Committee of Public Accounts as the basis for public evidence

sessions with the relevant senior officials. Our focus has increasingly been on identifying the learning from government's handling of the pandemic with the aim of improving resilience in future emergencies, and more effectively managing systemic risk, including the risks of fraud and waste.

Our work has supported scrutiny of the trade-offs between speed of action in the emergency and minimum standards of control over public money. For example, in the absence of the assurance normally provided by competition when procuring life-saving equipment, prompt transparency becomes more important, not less. And basic counter-fraud controls preventing the opportunistic or organised theft of funds intended to support individuals and businesses must be applied even when the need is urgent.

Our 2021-22 value-for-money work programme addressed other significant issues outside the COVID-19 response including major infrastructure projects; child maintenance; overseas development assistance; and local economic growth schemes. In all we supported a record annual total of 69 evidence sessions of the Committee of Public Accounts, as well as assisting other select committees with briefings, oral evidence and secondments.

I was pleased to see these efforts recognised by parliamentarians in our annual survey of MPs, as detailed in this annual report. In 2021, MPs recorded their highest level of satisfaction with the work of the NAO since we started the annual survey.

In addition to our financial audits, from the start of the pandemic to the end of March 2022, we had published a total of 35 value-for-money and lessons learned reports on the main elements of the COVID-19 response. These reports have been used by the Committee of Public Accounts as the basis for public evidence sessions with the relevant senior officials.

The need for substantial work on the government's response to the COVID-19 pandemic did not deflect us from making progress against our own strategic objectives, as set out in our 2020–2025 strategy. To maximise the quality of our audit work, we are overhauling our financial audit methodology to reflect new auditing standards and replacing our audit software with a new digital audit platform. This platform will allow us to exploit powerful data analytics and build in intelligent quality assurance. To increase our impact on improvement, we have strengthened our specialist expertise and influence in government networks in key areas such as commercial contracting, digital transformation and risk management. And to make better use of our insights, we have published good practice guidance and lessons learned reports as well as contributing to many government and public seminars, conferences and workshops.

I have been encouraged by government's willingness to engage with our findings and use them to drive improvement. As examples of this, I would highlight work on more rigorous evaluation of public spending; a new approach to the management of government-wide risks; and a stronger focus on senior-level digital skills.

This progress has been underpinned by the strategic changes we are making within the NAO, through which we are helping our people develop the skills they need, improving diversity and inclusion, and modernising our systems and ways of working. In pursuit of our aim to be an exemplar organisation, we have continued to reduce our pay gaps for gender and ethnicity, embedded changes to line management, improved our learning and development approach and made further progress towards being a Net Zero organisation by 2029.

Looking ahead, we are working closely with government departments and other public bodies to restore the timely completion of high-quality audited accounts to the pre-pandemic position. For 2020-21 accounts, 55% were audited before the 2021 summer parliamentary recess. We aim for the equivalent figure to be 70% in summer 2022 and 80% (including all main government departments) in summer 2023.

In the coming year, we will also be implementing a new risk assessment methodology on all audits and working with our strategic partner on our new digital audit platform.

We are maintaining the momentum we have built by using the results of our work to support government in making improvements in value for money and are ensuring that our work programme takes account of wider emerging government priorities such as levelling up and finding efficiency savings in the civil service.

We will also be embedding our new ways of working to continue to realise the benefits of our teams working together in our offices and at audited body sites, as well as remotely.

I and my Executive Team colleagues have benefited hugely from the advice, challenge and support from our Chair, Dame Fiona Reynolds, and her four non-executive Board colleagues.

My thanks to them as well as to the NAO's extraordinary staff, who have more than earned the trust placed in them by Parliament and the public through another demanding year.

Gareth Davies
Comptroller and Auditor General

About the National Audit Office



Our purpose

The NAO is the UK's independent public spending watchdog. We support Parliament in holding government to account and help improve public services through our high-quality audits.

The Comptroller and Auditor General

The Comptroller and Auditor General (C&AG), Gareth Davies, is the head of the NAO. The C&AG is an Officer of the House of Commons and independent of government. The C&AG is appointed by HM The Queen for a single non-renewable term of 10 years.

The C&AG certifies the accounts of all government departments and many other public sector bodies. The C&AG has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources economically, efficiently and effectively. The C&AG has extensive statutory rights of access to information held by a wide range of public sector organisations to support this.

Our Exchequer Section supports the C&AG in fulfilling his statutory Comptroller responsibilities. These responsibilities require the C&AG to approve the release of funds to HM Treasury and other public bodies, checking that each conforms to Parliament's authority.

Our relationship with Parliament

We support Parliament's scrutiny of government. We primarily do this by supporting the work of the Committee of Public Accounts through our scrutiny of the implementation of government policy. We also support individual members of Parliament and other select committees with formal and informal briefings and reports, and through our programme of secondments. More can be found in the section [Support for Parliament](#) on page 36.

Our strategy

We launched a five-year strategy in 2020. It builds on our established strengths in providing high-quality, effective support to Parliament. It also responds to feedback that we could share our knowledge and insights more effectively to support both accountability and improvement in outcomes and value for money. Increased expectations of the quality and rigour of audit also mean we must modernise how we carry out our audit work.

Our strategy is ambitious for the positive impact we can have on public services and the difference we will make to Parliament, the bodies we audit and the public. This means changing the way we work, developing and improving our audit processes, systems and skills, and becoming even more effective at what we do.

Our strategy, covering the five-year period 2020-21 to 2024-25, is to provide effective support to Parliament in examining public sector performance while making our insights available to those responsible for managing and improving public services (**Figure 1**). Our priorities are supported by strategic enablers that we expect to continue to drive high performance within our organisation. We undertake regular reviews of our organisational development plan, which sets out the activities we need to progress in order to achieve our strategy.

Figure 1

Overview of the National Audit Office's (NAO's) strategy 2020-21 to 2024-25

Our purpose

We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

Our strategic priorities

Improving our support for effective accountability and scrutiny.

We provide assurance that public resources are accounted for accurately and used as intended. When this does not happen, we point it out. We will upgrade our methodology and software to deliver higher-quality audits using data analytics. This will provide Parliament with deeper insights to scrutinise public spending, and those responsible for the governance of the bodies we audit with the assurance they need.

Increasing our impact on outcomes and value for money.

Our work focuses on the issues that matter and we will place greater emphasis on where we can influence long-term value for money. We will make better use of our analytical and audit expertise to identify how public services can be improved. This will allow more insightful and practical recommendations that lead to better outcomes.

Providing more accessible independent insight.

We will be known as a valuable source of knowledge on how well public resources are used and how the governance and performance of public services can be improved. We will synthesise what we know on important issues and make it easier for others to understand and apply the lessons from our work.

Our strategic enablers

We will attract, retain and develop high-quality people.

Our people are proud to be part of our diverse, inclusive and healthy workplace. We attract talented people and support them to become even better at what they do, enhancing their careers and ensuring we have the skills and capabilities we need.

We will make more effective use of technology, data and knowledge.

We use technology and analysis of data to perform our audit work more effectively and to create and communicate new insights that cannot be achieved in other ways.

We aim to be an exemplar organisation.

We lead by example in holding ourselves to the high standards we expect from public bodies. We are efficient, provide value for money and focus on long-term sustainability.

Feedback from the surveyed senior officials in the bodies we audit indicates we are performing well against our strategic objectives, with 96% agreeing their overall relationship with us is good.

OF THE SURVEYED SENIOR OFFICIALS IN THE BODIES WE AUDIT:



We have now completed the second year of our strategy and we summarise progress in **Figure 2** on page 17. For more, see our annual update for the Public Accounts Commission, [NAO strategy: Progress update and estimate memorandum for 2022-23](#).¹

We developed a performance framework to align with the strategic priorities and enablers in our organisational strategy. See pages 22 to 25, which highlight our performance for 2021-22.

¹ National Audit Office, *NAO strategy: Progress update and estimate memorandum for 2022-23*, The Public Accounts Commission, February 2022, available at: www.nao.org.uk/about-us/our-strategy/

Future challenges

We regularly take account of the changing context for our financial audit and value-for-money work so that we can be confident our work meets the standards required by regulators and the expectations of Parliament. This ensures that our work continues to be relevant and of the highest quality.

Our financial audit work continues to respond to developments in auditing standards and regulation. As the UK continues to face the ongoing effects of the COVID-19 pandemic on high levels of public spending, we are addressing the new and complex audit risks arising from the COVID-19 pandemic and its impact on the timeliness of audit certifications.

More widely, we are focused on the extent to which government provides good value for money for taxpayers in its response to new opportunities and demanding challenges: the government is working to achieve Net Zero emissions by 2050; is brokering new trading arrangements globally; and working domestically to 'level up' outcomes from government spending and other interventions in different regions; and there are ambitious plans to improve national infrastructure.

Ongoing demographic changes continue to lead to higher demand for health and social care, and technological innovation continues to reshape whole industries and introduce new risks. Government is also continuing to face external challenges such as finding efficiency savings in the civil service and addressing the rising cost of living.

Our strategy sets out how we can best support Parliament and respond to changes in the external environment that affect us and the bodies we audit.



Figure 2

Progress in implementing our strategy

Main changes to expect over the five-year strategy (2020-21 to 2024-25)	For more on progress and next steps
<p>Developing deeper insights from our financial audit work</p> <p>We are working to give Parliament and the public better information about how public money is being managed across government and provide the bodies we audit with fresh perspectives on their organisation. We progressed our Audit Transformation Programme, our programme to deliver modern financial audit, which over the coming years will transform our audit service, improving quality, insight and efficiency.</p>	Page 28
<p>Making better use of our knowledge</p> <p>We are working to make it easier for others to find, understand and apply the lessons from our work and use them to improve value for money. This includes the publication of a series of reports bringing together lessons learned from our work as well as our good practice guidance, of which we published 13 this year. We are also now publishing a tracker on our website to provide information on the outcomes of our own recommendations to government.</p>	Page 58
<p>Focusing more on long-term value for money issues</p> <p>Our work programme responds to government's plans and particularly those with long-term implications for public spending. These include the long-term effects of COVID-19 on public spending; big infrastructure projects; the effect of EU Exit; progress towards the Net Zero emissions target; the use of technology and data to transform services; and devolution. We have published 33 reports on these topic areas this year.</p>	Page 32
<p>Strengthening our focus on emerging and topical issues</p> <p>We are building our capability to react quickly and effectively to support parliamentary scrutiny of new issues as they emerge. This year we audited accounts in which much of the unplanned spending on the COVID-19 pandemic took place and published 15 reports on the pandemic.</p>	Page 28
<p>Enhancing our expertise in the skills that are a priority for government</p> <p>We are focusing more on helping improve value for money in areas that are important to making government more efficient and effective. These include major project delivery; financial and risk management; commercial activities; people and operational management; and digital transformation.</p>	Page 61

Source: National Audit Office

As a result, our priorities in the coming year include:

- working with departments to restore timely financial reporting;
- continuing to improve the quality of our audit work. We are taking forward our Audit Transformation Programme (ATP) to introduce a new audit methodology and software to ensure we comply with modern audit requirements (see our [section on the ATP](#) for more information, page 82); and
- continuing to fulfil Parliament's expectation to provide a balanced programme of VFM reports. We will continue to deliver a programme focused on where we believe the NAO can have an impact on long-term value for money as well as responding to key issues of the day, and will review our work programming approach to ensure our work generates recommendations about where government can improve efficiency or make financial savings.

Our values

We have worked hard on defining and developing our organisational culture alongside our strategy, including establishing a set of values that reflect who we are as an organisation and how we work together and with our stakeholders to achieve our purpose and priorities. We have incorporated these into our organisational life and developed our culture to place greater importance on wellbeing and supporting one another. See page 68 for an example of how we practice these values.

Our organisation

Since 1 June 2020 we have organised our work around six management groups, containing a mixture of audit, functional and insight teams. These insight teams cover different specialist areas to help improve our expertise in skills that are important for government.

This organisational structure achieves a better balance of audit work, enables us to integrate all our work more effectively and brings clarity and consistency to senior management roles and responsibilities (**Figure 3** on pages 20 and 21).

Summary of our financial performance

We ended the year within our budget for audit and assurance work with a variance of 2.5%. A key measure of our effective use of resources is the percentage of expenditure attributed to our assurance work compared with expenditure on our business support services. We met these efficiency aims this year with 83% of our resources used on assurance work, above our target of 80%. For more information on our financial performance see pages 88 to 93.



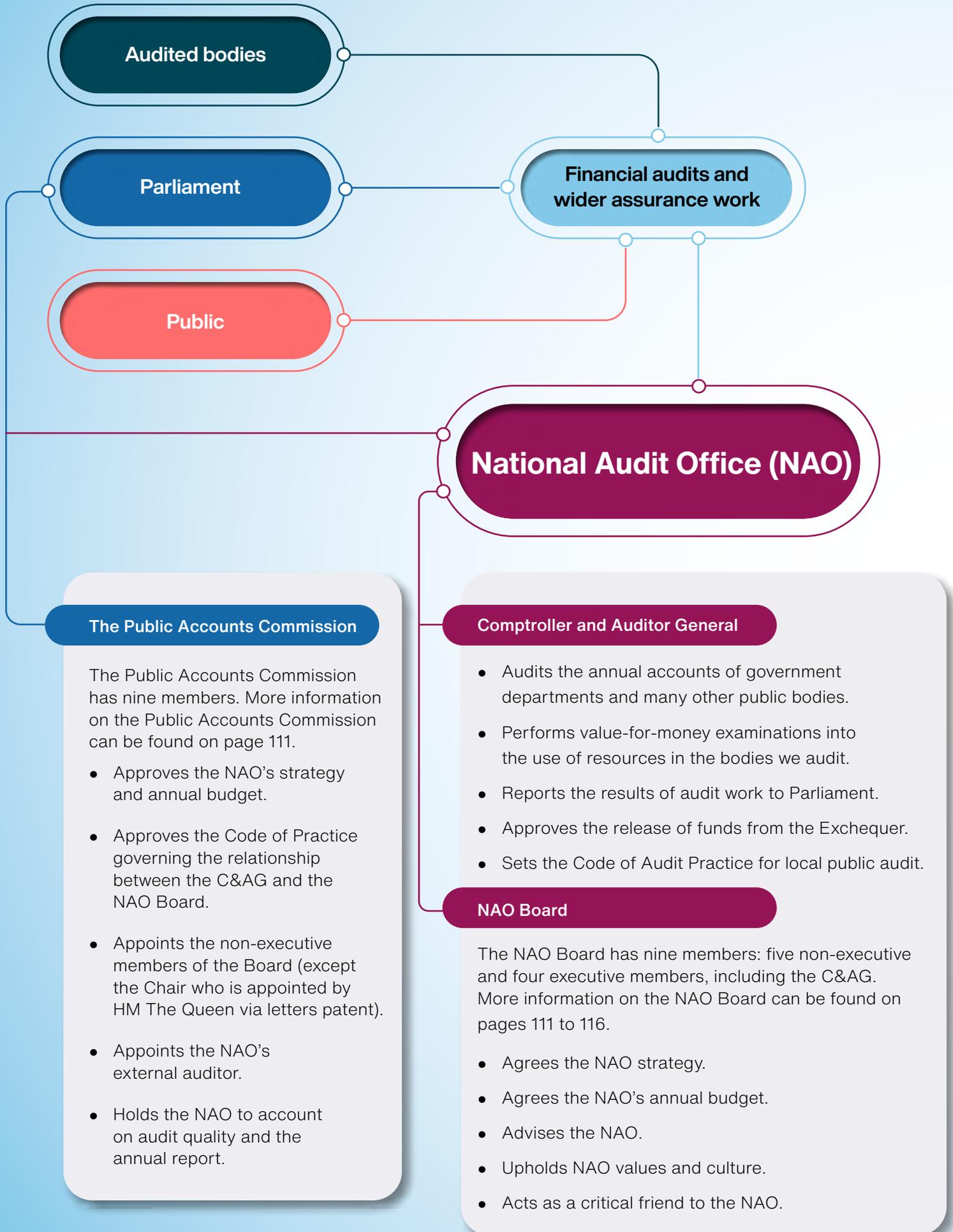
National Audit Office Values

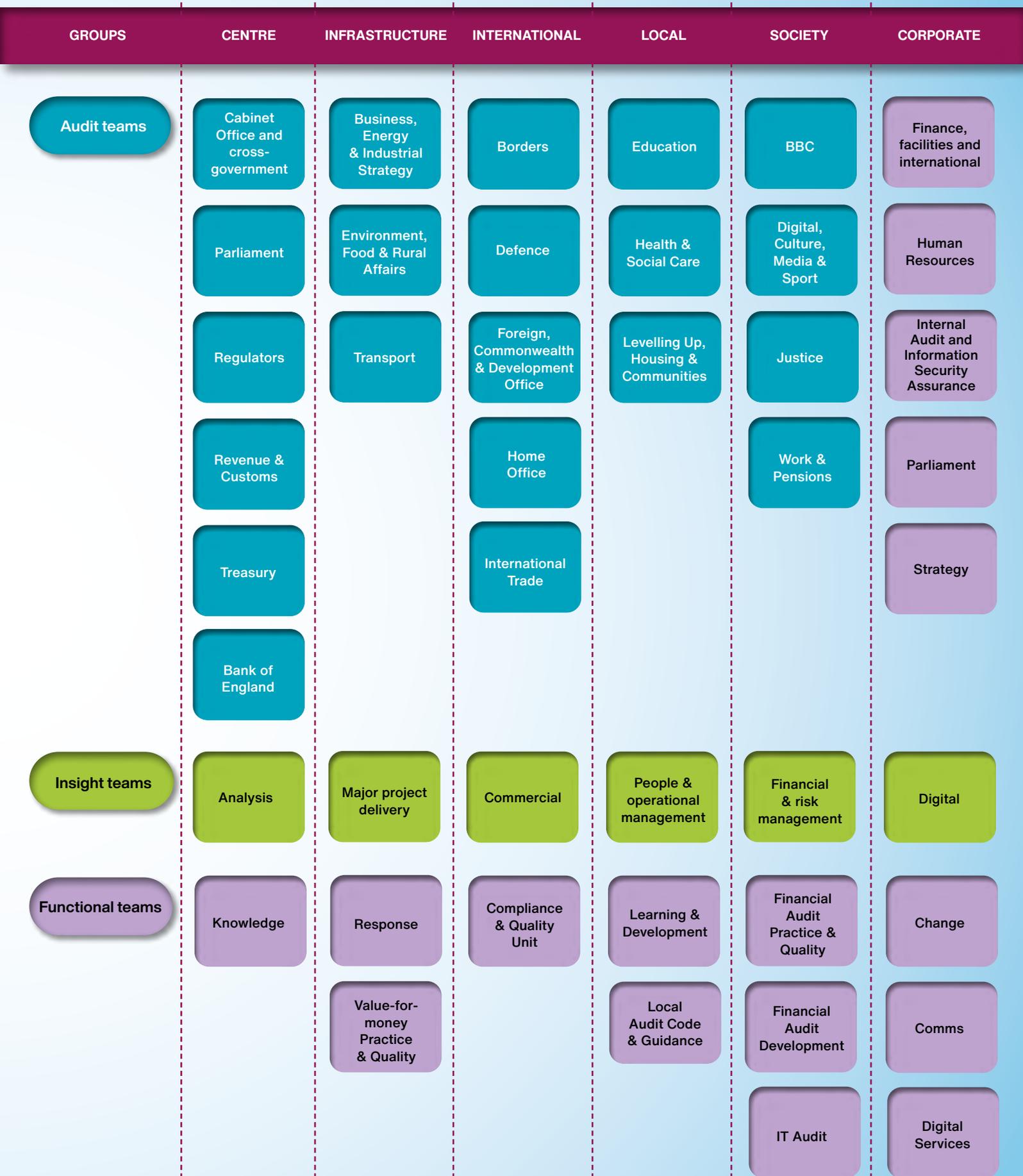


NEXT PAGE:
How we worked in 2021-22

Figure 3

How we worked in 2021-22





Performance analysis

Our performance measurement framework

In order to understand the extent to which we are achieving our strategic objectives, we implemented a performance measurement framework as part of our five-year strategy. This, together with our key performance indicators (KPIs), is set out in our *NAO strategy: Progress update and estimate memorandum for 2021-22*.² Progress against this framework is reported in **Figure 4**.

Figure 4

Our performance measurement framework for 2021-22

Key

■ 2021-22

■ 2020-21

Strategic priority or enabler	What success looks like	How we measure this
We support effective accountability and scrutiny	Successful delivery of our programme of financial audit, value-for-money (VFM) and wider work programme.	Number of financial audits, VFM reports and wider assurance work.
	The quality of our audits is in step with the best of the profession and meets external quality standards.	All of our audits that have been reviewed by the Financial Reporting Council (FRC) or subject to internal cold review are classified as needing no more than limited improvements.
	MPs consider that we support effective accountability and scrutiny.	VFM reports subjected to an external cold review meet standards and VFM reports subjected to an internal cold review rated as 'good with limited improvement needed' or better.
	MPs agree that the National Audit Office (NAO) is effective at supporting Parliament to hold government to account and scrutinise public services.	

² National Audit Office, *NAO strategy: Progress update and estimate memorandum for 2021-22, The Public Accounts Commission*, February 2021, available at: www.nao.org.uk/wp-content/uploads/2021/04/NAO-strategy-Progress-update-and-estimate-memorandum-for-2021-22-1.pdf

We have further developed some KPIs since our update in last year’s annual report (2020-21). Where this is the case, we explain the changes in measurement. We will continue to revise and update our framework with new measures as we develop them over the course of our five-year strategy.

	2021-22 target	Achievement	Target met?	Previous year achievement	Further information
		2021-22		2020-21	
60 to 65 VFM reports each year		58	No	61	For more detail on our outputs see page 32. To manage our programme of publications we scheduled two of our reports to publish in April 2022. Our target for 2022-23 is 60 to 65 reports.
Around 400 audit certifications		400	Yes	407	For more information on the timings of our audit certifications see page 30. Our target for 2022-23 is around 400 audit certifications.
100% our financial audit work meets FRC and internal standards		FRC: 71% (2019-20)	No	71% (2018-19)	See pages 30 to 32, where we discuss our financial audit quality. Our targets for 2022-23 remain the same.
		Internal: 70% (2019-20)	No	68% (2018-19)	
100% of our VFM audit work meets external and internal standards		External: 100%	Yes	100%	See pages 34 and 35 where we discuss our VFM audit quality. Our target for 2022-23 remains the same.
		Internal: 83%	No	83%	
Target was under development ¹		90% of MPs agree	—	89%	Detail on our progress is provided on pages 36 to 39. Our target for 2022-23: 90% of MPs agree.

Strategic priority or enabler	What success looks like	How we measure this
Our work leads to better outcomes and value for money	<p>Our work has a quantifiable positive financial impact on the public sector.</p> <hr/> <p>Senior officials in the bodies we audit consider that our work leads to better outcomes.</p>	<p>Total value of financial impacts generated by our work, as agreed with the audited body, against our final net outturn.</p> <hr/> <p>Annually commissioned independent feedback from senior officials shows that they agree that our work leads to better outcomes.</p>
We provide accessible independent insight	<p>Our knowledge and insights are clear and accessible to key stakeholders.</p>	<p>Annually commissioned independent feedback from the bodies we audit and results of the annual MPs survey we commission show senior officials and MPs agree that they can easily access our insights and knowledge.</p> <hr/> <p>Reach of our work in the media to UK adults.</p>
We will attract, retain and develop high-quality people	<p>Our people feel highly engaged in their work and report having access to learning and career development opportunities when they need them.</p> <hr/> <p>We have diversity of talent at all levels and a talent pipeline that embraces people from any background. There is no pay gap associated with gender or ethnicity.</p>	<p>Our annual People Survey of NAO staff shows our people are highly engaged in their work.⁷</p> <hr/> <p>Reporting gender pay gap.⁸</p> <hr/> <p>Reporting ethnicity pay gap.</p>
We make effective use of technology, data and knowledge	<p>Our people say they have the right technology and tools to do their work and it is easy to find the information they need to do their work effectively.</p>	<p>The annual People Survey of NAO staff shows our people agree:⁷</p> <hr/> <p>they have the right technology and tools to do their work; and</p> <hr/> <p>they can find the information they need to do their work effectively.</p>
We are an exemplar organisation	<p>We demonstrate continued cost-effectiveness and efficiency.</p> <hr/> <p>We see a sustained reduction in our environmental impact.</p>	<p>Ratio of expenditure on audit work to expenditure on business support services.</p> <hr/> <p>Reduction in tonnes of carbon emissions.</p>

Notes

- 1 This was a new question for 2020-21 that had not been asked of MPs before. At that point in time, we had no data on which to base our targets. Since we now have the first year's-worth of data we have set a target for 2022-23.
- 2 Our survey of senior officials in the bodies we audit contains two questions on better outcomes. We have presented the figure related to our overall work and strategic objective. The other is specific to our value-for-money work.
- 3 These were new questions for 2020-21 that had not been asked of the bodies we audit nor of MPs before. We had no past data on which to base targets. Since we now have initial data, we have set a target for 2022-23.
- 4 We have a new approach to compiling this metric. We have now received initial data and set a target for 2022-23.
- 5 Average Article Rating is a composite score out of 100. It incorporates metrics on media coverage including on tone, corporate messages and headlines.

	2021-22 target	Achievement	Target met?	Previous year achievement	Further information
		2021-22		2020-21	
	£10 financial impact for every £1 of net expenditure each year	£11 for every £1 spent	Yes	£13 for every £1 spent	Detail on our financial impact can be found on page 46. Our target for 2022-23 remains the same.
	60% of senior officials agree	80% of senior officials agree²	Yes	-	Detail on our progress is provided on page 49. Our target for 2022-23: 65% of senior officials agree.
	Target was under development ³	68% of MPs agree	-	59% of MPs agree	More on access to our insights and knowledge is provided on pages 58 to 62. Our target for 2022-23: 60% of MPs agree.
		67% of senior officials agree	-	-	Our target for 2022-23: 65% of senior officials agree.
	Target was under development ⁴	66 out of 100⁵	-	-	Detail on our progress is provided on page 58.
Our 2021-22 target was under development last year, but from 2022-23 we will use an Average Article Rating. This is a composite performance score based on industry best practice. Our target will be 60 out of 100 . For more detail on how this is calculated, see our Progress update and estimate memorandum for 2022-23 . ⁶					
	71% of our people agree they are highly engaged in their work	Engagement score of 6.9 (out of 10.0)	-	7.3 (out of 10.0)	See pages 70 and 71 for more on our People Survey results. In 2021-22, we changed our approach to surveying our people and the new approach provides a composite engagement score out of 10. Our target for 2022-23: Average engagement score for the year of 7.4.
	9%	Mean gap: 8.26%	Yes	Mean gap: 9.99%	See page 76 for a discussion on our pay gap report. Our target for 2022-23: 6%.
	14%	Mean gap: 12.76%	Yes	Mean gap: 13.36%	Our target for 2022-23: 11%.
	85% of our people agree	7.7 (out of 10.0)	-	7.9 (out of 10.0)	Detail on our technology and tools, see pages 80 to 85. We are now using monthly surveys of NAO staff, asking them to score out of 10. Our target for 2022-23: Average score for the year of 8.0.
	60% of our people agree	7.0 (out of 10.0)	-	6.9 (out of 10)	See pages 70 to 71 for more on our People Survey results. We are now using monthly surveys of NAO staff, asking them to score out of 10. Our target for 2022-23: Average score for the year of 7.0.
	A minimum of 80% of our expenditure on audit work	83%	Yes	80:20	See pages 88 to 93 for more on our financial performance. Our target for next year remains the same.
	To reduce to 733 tonnes of carbon emissions	712 tonnes	Yes	770 tonnes	Detail on our environmental impact is provided on pages 94 to 97. Our target for 2022-23: no more than 800 tonnes of carbon emissions. ⁹

6 National Audit Office, *NAO strategy: Progress update and estimate memorandum for 2022-23*, The Public Accounts Commission, February 2022. Available at: www.nao.org.uk/about-us/our-strategy/

7 We changed our approach for recording these metrics. The measurements have moved from an annual People Survey of NAO staff to monthly surveys, asking our people to score out of 10. As such, we cannot report against our target this year, but we have included our achievement and identified our targets for next year.

8 In addition to the pay gap measures, our Diversity and Inclusion annual reports include data on a broader range of metrics; including senior management representation for women, ethnicity, those with disabilities and those from a socially disadvantaged background.

9 In 2021-22, the COVID-19 pandemic impacted on our operations, including through the reduced use of our buildings, and we also experienced mild weather. Both of these factors impacted on our performance against our target for carbon reduction. In 2022-23, we expect greater use of our buildings and services, in turn increasing our energy demand and expected carbon emissions. Our 2022-23 target for emissions remains lower than pre-pandemic levels.

Effective accountability and scrutiny

This section provides an overview of progress we have made on our strategic priority to improve our support for effective accountability and scrutiny.

What this section contains

[Our financial audit and value-for-money work](#)

[How we support Parliament](#)

[Our international work and insights](#)

[Local audit](#)

[Correspondence](#)

91%

of surveyed senior officials
from the bodies we audit
rated the quality of their
most recent financial
audit as good

58

value-for-money and
wider assurance
reports published

69

Committee of
Public Accounts
sessions supported



Our work

Our objective to support Parliament in holding government to account is vital at a time of unprecedented public spending and uncertainty. We help to drive improvements in public spending, through the delivery of our financial audits, value-for-money (VFM) and wider assurance work, as well as through the cross-government perspective we generate looking across all of our work. We use our expertise in these areas to draw out meaningful and impactful insights, including lessons and recommendations for government, helping to drive effective accountability and scrutiny.

Financial audit

The Comptroller and Auditor General (C&AG), with the support of the National Audit Office (NAO), provides an independent audit opinion on more than 400 accounts across the public sector, including the major government departments. This audit work is defined by international auditing standards.

Our financial audit work continues to be critical in ensuring taxpayer's money is accounted for correctly and spent on the purposes intended.

This year we were auditing the 2020-21 accounts, in which much of the unplanned spending on the COVID-19 pandemic took place within a strained control environment. This brought new and complex audit risks.

We did not seek feedback from the bodies we audit in 2020 due to the COVID-19 pandemic but results from this year have highlighted financial audit as a continued core strength for our organisation.³

The COVID-19 pandemic remained a key challenge for our work, both in terms of its impact on the audit risk assessment and on audited bodies' teams and schedules for accounts production. We were pleased that 93% of the finance directors and accounting officers surveyed in our feedback programme agreed their organisation received a professional service from us while working remotely during the COVID-19 pandemic.

³ Our survey took place between July and December 2021.

Case study

Transparency: Inventory risk

The Department of Health & Social Care's (DHSC's) audited accounts for 2020-21 set out the financial impact of the COVID-19 pandemic on DHSC. The C&AG's report to the House of Commons highlighted the significant costs to the taxpayer involved and the high level of impairments to stock valuations, including the DHSC estimate that there has been a loss in value of £8.7 billion of the £12.1 billion of Personal Protective Equipment purchased in 2020-21.

The C&AG qualified his opinion on the financial statements due to a number of matters, including insufficient evidence to support the year-end inventory and accruals balances.

Case study

Fraud and error

Our financial audits have highlighted that the risk of fraud and error has risen significantly as a result of the government's response to the COVID-19 pandemic. The C&AG qualified his opinion on the regularity of a number of financial statements, including:

- fraud and error overpayments in the benefits system rose in 2020-21 to the highest rate ever recorded. Excluding state pension, the Department for Work & Pensions (DWP) estimates it overpaid £8.3 billion of the £111.4 billion that it spent on benefits in 2020-21. The COVID-19 pandemic was the main cause of the increase with the need to relax checks to ensure a record number of new Universal Credit claims could be processed and paid;
- the Department for Business, Energy & Industrial Strategy (BEIS) introduced three loan schemes with associated guarantees (Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme) in response to the COVID-19 pandemic, with the intention of quickly getting money to businesses that needed support. In total, £79.3 billion of loans were approved under these schemes.

- BEIS reported an estimated credit loss of £19.8 billion which it expects to crystallise as lenders call on the scheme guarantees to compensate them for loans that were not likely to be repaid. Of these credit losses, BEIS estimated that £4.9 billion arose from fraud, where loans were issued to ineligible businesses; and
- HM Revenue & Customs' (HMRC's) estimate of error and fraud in the COVID-19 support scheme payments (Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme, Eat Out to Help Out Scheme) at the time of its 2020-21 annual report and accounts was £5.8 billion. HMRC's estimates were subject to considerable uncertainty and the actual levels of error and fraud in the schemes could be significantly different.

For more on our work supporting Parliament to understand the government's response to the COVID-19 pandemic, including on support for businesses and individuals, see www.nao.org.uk/covid-19/. We discuss more on fraud and error in our [Good practice guidance: Fraud and error](#), which uses insights from our work to show how more can be done to counter this risk.⁴ Our report on [The Bounce Back Loan Scheme: an update](#) reviews BEIS' activities to protect public money through its counter-fraud activity.⁵

4 National Audit Office, *Good practice guidance: Fraud and error*, March 2021, available at: www.nao.org.uk/report/good-practice-guidance-fraud-and-error/

5 Comptroller and Auditor General, *The Bounce Back Loan Scheme: an update*, Session 2021-22, HC 861, National Audit Office, December 2021. Available at: www.nao.org.uk/report/the-bounce-back-loan-scheme-an-update/

Case study

Improving the timeliness of government reporting

The timeliness of reporting is an important part of parliamentary and public accountability. This was adversely affected by the COVID-19 pandemic. Departments have needed to account for complex and risky expenditure and loan guarantee programmes and there have been unusual demands on the capacity of finance staff.

We have seen an improvement in the timeliness of certifications this year, with 55% of government and arm's-length body accounts certified before the 2021 summer parliamentary recess, an increase of 14 percentage points since 2020. However, this is still below the 78% achieved in 2019 before the pandemic. Our target is to increase this to 70% by the summer of 2022, and then to 80% (including all government departments) in 2023.

As Kate Mathers, our executive director for financial audit sets out, the NAO is rising to this challenge:

"A key priority for the NAO is supporting timely accountability, working with the organisations we audit to return to pre-COVID-19 timetables for publishing certified accounts. To achieve our aim of returning to pre-pandemic levels of 70% of certifications before the parliamentary summer recess in 2022, we have launched our 'Getting Back on Track' programme. This includes strategic engagement with central government's Finance Leadership Group and supporting audited bodies' audit committees and finance teams through sharing good practice and early planning. Bringing timetables forward presents a capacity challenge, but we have planned to make sure our audit teams have sufficient people and expertise to support accelerating timetables to deliver our audits before the summer parliamentary recess."

Financial audit quality

The quality of our financial audit work is incredibly important to us and fundamental to the C&AG's credibility in supporting Parliament as its appointed auditor. We monitor the quality of our financial audit work through annual internal and external reviews of a sample of our audits. Our target is that all of the audits reviewed will be assessed as needing no more than limited improvements.

There is a time-lag in completing these reviews as they can only take place once the audit is finalised. During 2021-22, the Audit Quality Review team of the Financial Reporting Council (FRC) completed its review of seven of our 2019-20 audits.

The FRC judged that five of the seven audits (71%) required no more than limited improvements (71% in 2018-19). Two audits (29%) were assessed as requiring improvements (none in 2018-19). None required significant improvements (28% in 2018-19).

OF THE SURVEYED SENIOR OFFICIALS IN THE BODIES WE AUDIT:

91%

rated the quality of their most recent financial audit as good (89% in 2019)

80%

of finance directors and accounting officers agreed that the audit recommendations we made were realistic and helped to improve the maturity and effectiveness of the financial controls of their organisation (77% in 2019)*

88%

agreed that our teams understood the wider context in which their organisation works and applied it appropriately to the financial audit (90% in 2019)

* In 2019, this question was posed to all online participants, not just finance directors and accounting officers.

We also complete an annual internal quality assurance programme. Our Compliance and Quality Unit has reviewed 20 of our 2019-20 audits. Fourteen of the 20 reviews (70%) required no more than limited improvements or better (68% in 2018-19); 25% required improvement (28% in 2018-19) and 5% required significant improvements (4% in 2018-19).

Our external and internal reviews show that the majority of our audits achieve high-quality standards. However, we are not yet meeting our target to achieve this consistently across all of our work. This is a priority for us and our Audit Quality Plan sets out the actions we are taking to achieve this.

While we recognise that we have more to do, we have already made substantial progress against the Audit Quality Plan. We are sharing the findings from our quality reviews more openly to make it easier for all of our people to learn from them. We have refreshed our learning and development programme with a focus on those areas identified as needing improvement by quality reviews. We have invested in sufficient capacity and skills to carry out high-quality audit work with access to external expertise where necessary on specialist and complex areas.

We have also established our Audit Quality Board, chaired by Janet Eilbeck, a non-executive member of the NAO Board. This is an advisory committee to the C&AG and had its first meeting in March 2021. It supports the C&AG as we develop our quality plans, for both our financial audit and VFM work, and challenges our progress and effectiveness.

We know that we have more to do to achieve high quality consistently across all of our work. Our Audit Transformation Programme, described on pages 82 to 83, will play an important role in supporting us to do this.

As part of its role in holding the NAO to account, the Public Accounts Commission held its first substantive evidence session on the quality of our financial audit work in November 2021. The Commission took evidence from the C&AG and our two executive directors responsible for our financial audit work and considered our progress against the findings raised from our internal and external inspection programmes.

More detail, including the outcomes of our internal and external inspection programmes covering our 2020-21 cycle of audits currently under way, can be found in our annual [Transparency Report](#).⁶



Value-for-money work

Through our VFM and wider assurance work, we report on the extent to which public bodies achieve efficiency, effectiveness and economy in their use of public resources. We also conduct investigations to establish the facts where there are concerns about public spending issues.

This year we published 58 VFM and wider assurance reports, including 15 on COVID-19 and 18 on other long-term areas (Figure 6 on page 49).

We helped Parliament hold government to account on the value for money of its spending, including sustained focus on areas such as Crossrail, restoration and renewal of the Palace of Westminster and the Ministry of Defence's Equipment Plan. While this work is core to the delivery of our remit, it also provides us with an opportunity to assess whether departments have learned lessons from our scrutiny and made changes in response to our recommendations. We use the

insights generated from our scrutiny of government spending to help develop our wider good practice guidance and frameworks. For more, see our sections on [Our recommendations](#) (page 46) and [Good practice guidance](#) (page 60).

We have reported on the most significant risks to value for money, including a focus on examining and drawing out learning from the government's response to the COVID-19 pandemic. This included our first lessons learned report on the COVID-19 pandemic, collating our insights on initial learning from the government's response, as well as deeper dives into the government's preparedness for the pandemic, the roll-out of the vaccination programme in England, the management of tax debt through the pandemic and updates on the Bounce Back Loan Scheme and the test and trace programme.

Alongside our work on the COVID-19 pandemic, we continued to examine other core areas of spend and long-term VFM. This included insight on regulation intended to protect consumers, such as the regulation of private renting, and protecting consumers from unsafe products. We also reported on areas such as BBC savings and reform, and the National Law Enforcement Data Programme. Our work also considered the differential impact of services and policies on different groups of people (see section on [Diversity in our work](#), page 52).

⁶ National Audit Office, *Transparency Report 2020-21*, July 2021. Available at: www.nao.org.uk/wp-content/uploads/2021/07/NAO-Transparency-Report-2020-21.pdf



Wider impact

Providing transparency of government spending in response to COVID-19

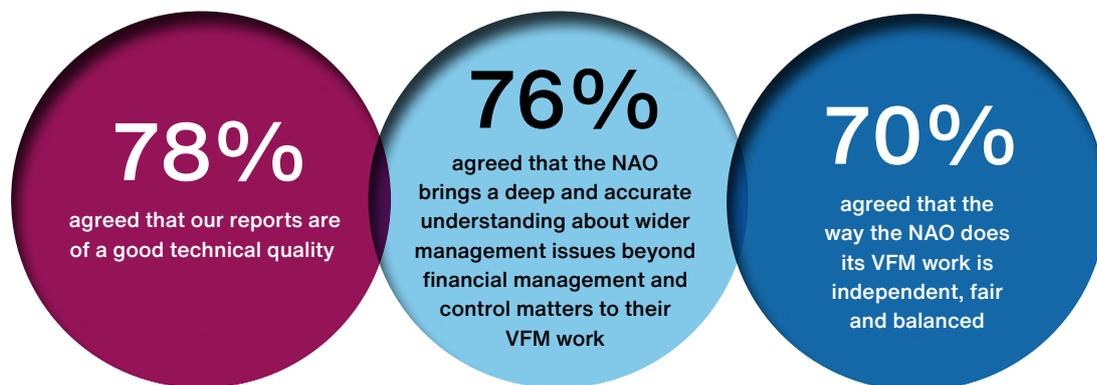
What we did

Government has introduced many measures in response to the COVID-19 pandemic to support businesses, individuals, health and social care, other public services, and the economy more broadly. We first published our COVID-19 cost tracker in September 2020, only six months after the pandemic was declared, recording the estimated lifetime costs and spend to date of these measures. We have since updated the tracker a further three times, and will be publishing a fifth version in summer 2022. All the information is published as an interactive data tool.

Impact and outcome

Our online interactive tool allows users to examine the data on COVID-19 measures implemented by 21 government departments in an accessible way, providing an opportunity to further generate, examine and download the data. Our COVID-19 tracker supports greater transparency, setting out how much government has spent in response to the pandemic and it has been well received by our stakeholders. It is the only single source of COVID-19 spending for England and will act as a useful reference document for any future emergency response. The Committee of Public Accounts has held two sessions on the cost tracker, recognising it as a good model for capturing expenditure on a single priority across the whole of government. HM Treasury has also publicly recognised the value the cost tracker has added in capturing the direct costs of the pandemic response.

Our VFM work is positively received by the finance directors and accounting officers at the bodies we audit with highlights from our 2021 feedback survey including:⁷



Finance directors and accounting officers also told us that there is more we can do to increase the impact of our recommendations. We have taken steps to improve the focus and transparency of our recommendations through publication of our recommendations tracker on our website (see section on '[Our impact](#)' on page 46), which has been well-received by the bodies we audit and parliamentarians. In 2022 we are also introducing measures to improve the quality of our recommendations and will engage with the bodies we audit earlier in the report-drafting process to seek their views on the clarity and actionability of the recommendations. We will also be requesting formal responses to our recommendations within six months of publication.

Value-for-money audit quality

As with financial audit, it is critical that our VFM work meets the highest quality standards. The quality of our VFM work is assessed each year through the external and internal review of a sample of our published reports and investigations. We use these findings to improve our processes and guidance, supported by additional training where required.

In 2021-22, RAND Europe and Risk Solutions undertook our external reviews, examining 14 reports in total. This was two more than in previous years to enable review of a wider range of our product types. The reviewers assessed all reports as meeting or exceeding expected standards, as they did in the previous year, with positive commentary on areas including the structure and presentation of our reports, the balance of our summaries and our use of graphics. The reviewers also suggested areas with potential for improvements, including the depth and scope of analysis, clarity and targeting of recommendations and the detail provided on methods, particularly on how qualitative data was collected and used. They also identified, in some cases, opportunities for explicit or stronger judgements in conclusions; more concise summaries; and greater clarity on the purpose of the work.

⁷ The sample size for the 2021 survey was small due to a lower number of the larger bodies being interviewed this year.



Our internal reviews check for adherence to our VFM standards and quality assurance process and to identify good practice. In 2021-22, we reviewed 12 VFM studies, investigations and knowledge products. Ten were rated as meeting our standards either as good/best practice or good with limited improvements (2020-21: 10). The remaining two were rated as having significant areas for improvement due to weaknesses in documentation of the audit trail and the level of review undertaken (2020-21: none). None were rated as having areas of improvement (2020-21: two). In other reports we identified good practices in audit documentation and use of specialist expertise. This was also the first set of reviews based on work using our new ways of storing audit evidence and we saw improvements in teams' practices to comply with mandatory policies such as ethical declarations.

We will incorporate the key lessons and good practice into our mandatory annual quality updates for all VFM staff, which we will use to establish ongoing peer support and learning, and in our monthly knowledge-sharing showcases that we introduced last summer.

Overall, the reviews suggest that our work has been meeting expected standards, but we continue to seek to improve our approach to VFM audit quality. We have been developing new elements that we will introduce in 2022-23, which should improve on areas raised previously by our reviews. A key change will be the introduction of a revised approach to quality management, which will be more flexible and risk-based to reflect the wider range of report types we publish and the different risk profiles each piece of work will have. There will also be new guidance on recommendations, methodologies and data presentation.

More details on the findings of our reviews, and our work to improve quality, can be found in our [Transparency Report](#).⁸

⁸ See footnote 6.

Support for Parliament

We support Parliament in holding government to account. We support the Committee of Public Accounts (the Committee), other select committees and individual MPs in their scrutiny of how public bodies use public resources and deliver services.

We continue to have a strong reputation in Parliament with MPs recording their highest levels of favourability since we started the annual survey (72% of MPs have a favourable opinion of the NAO in 2021). MPs are increasingly aware of our work and trust us to help them to hold government to account and scrutinise public services, with 90% of MPs agreeing we were effective at this in 2021 (**Figure 5** on page 39).

The Committee of Public Accounts

Our broad and varied programme of work supports the Committee in its inquiries. In 2021-22 we supported 69 of the Committee's sessions, which draw on our work to hold government officials to account for economy, efficiency and effectiveness of public spending. At these sessions, the Committee took evidence on a wide range of subjects, including defence contracting, achieving Net Zero, High Speed Two and Crossrail, criminal court backlogs, progress with trade negotiations and tackling tax debt. It also took evidence on various aspects of the government's COVID-19 response and has used our insights as the basis on which to challenge government officials on issues around fraud and error.

Following an inquiry, the Committee may choose to issue its own report and make recommendations, to which the government must respond in a published Treasury Minute. During 2021-22, the government accepted 90% of the Committee's recommendations (288 out of 319) compared with 91% in 2020-21.

Support to select committees

We continue to support other select committees, including clerks and their teams, by providing oral evidence, written briefings, and departmental and financial overviews.

We provided assistance to select committees in support of sessions and inquiries on 26 occasions, including giving evidence to the Business, Energy and Industrial strategy committee as part of its inquiry into Net Zero, and to the Treasury Committee as part of its inquiry into the economic impact of the COVID-19 pandemic. We published 12 bespoke pieces of work for select committees and All-Party Parliamentary Groups in Parliament.

These drew on our expertise to support specific inquiries, such as our briefing notes on integration and innovation for the Health and Social Care Select Committee's inquiry examining the DHSC's white paper; and on cycling and walking to support the All-Party Parliamentary Group's inquiry into the Department for Transport's Cycling and Walking Investment Strategy 2.

We also published eight departmental overviews on government departments' accounts and performance, based on insight from both our VFM and financial audit work.

Case study

Supporting the parliamentary Scrutiny Unit

In 2021-22, we supported nine select committees and the parliamentary Scrutiny Unit through our programme of secondments. These secondments support the committees' inquiries and develop our people's knowledge and skills. Alice Broughton joined the Scrutiny Unit's finance team in February 2021 and reflects on her time:

"I joined the Scrutiny Unit's finance team, which supports the 21 departmental Select Committees. Each member of the team looks after around five committees, providing briefings, analysis and suggested questions to assist with the committees' financial scrutiny of government. We also provide ad-hoc support depending on what inquiries are ongoing and what members are interested in pursuing.

"The work has been fast-paced and can change quickly. I've really enjoyed the opportunity to use my financial audit knowledge in this context, for example briefing committees on the latest funding announcement on cladding remediation, the Department of Health & Social Care's latest set of accounts, or the financial challenges faced by local authorities.

"I've also been lucky enough to work with the Commonwealth Parliamentary Association on several occasions, explaining how we support Parliament in its financial scrutiny of government to delegations of elected members.

"I joined when much of the committees' work was being carried out remotely, but I have enjoyed being able to go into Westminster more often as the year went on."

Our performance
measurement
framework

Effective
accountability
and scrutiny

Accountability
report

Financial
statements

Support to members of Parliament

We provide reports to all MPs prior to publication, along with an offer of a briefing on the report. We also provide regular updates on our work through our parliamentary newsletter to around 900 MPs and members of the House of Lords. In 2021-22, we undertook 58 briefings on our work and areas of expertise to MPs and members of the House of Lords in addition to our work with the Committee.

MPs can also write to us to raise concerns over the misuse of public money or behaviour in public bodies we audit. This brings issues to our attention and MPs can draw on our knowledge and expertise as they seek to hold government to account. In 2021-22, we provided 84 responses to MPs' requests.

Support to the House of Lords

We continue to support the House of Lords through our work, including providing briefings on our insights and giving evidence to committees, the House of Lords Library, and other departments in the House of Lords. In 2021-22, this included giving evidence to the Public Services Committee as part of its inquiry into designing a public services workforce fit for the future, as well as to the newly established Adult Social Care Committee.

What do you think are the main strengths of the National Audit Office?

I think they have got an expertise in assessing the different situations. I think they cover a wide range of aspects. They have good communication with MPs.

Conservative MP

They've got a highly professional staff, they have access to all the information required to assess value for money, efficiency and economy. They are confident in putting out critical reports and their reports have credibility because they're well researched and well put together.

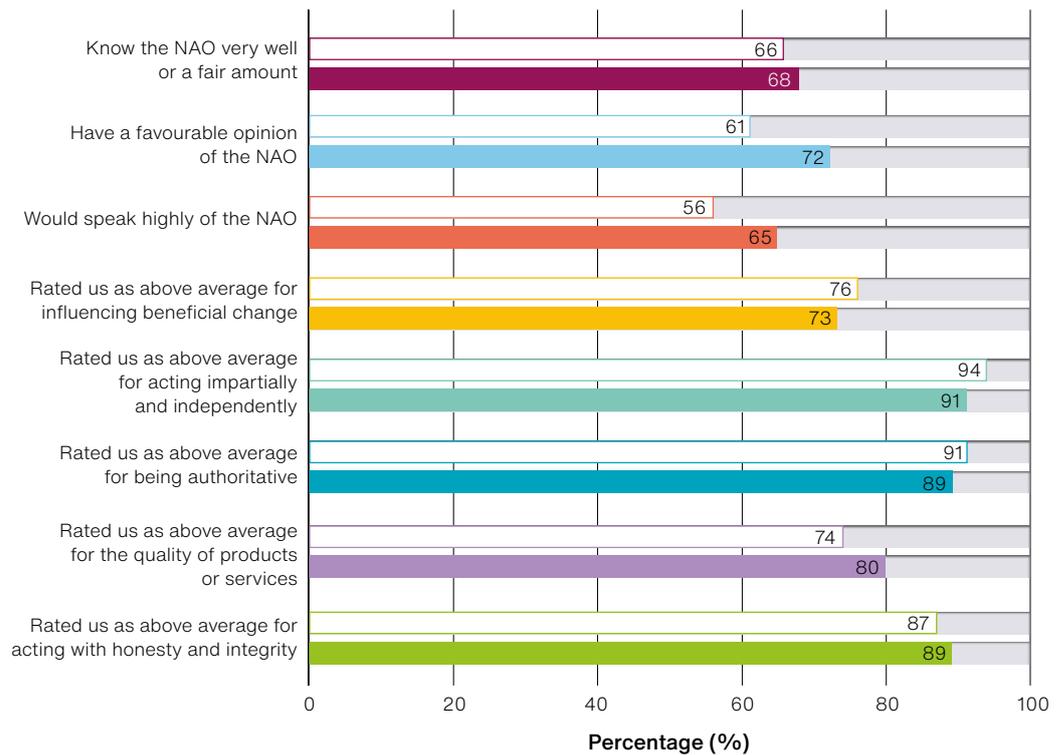
Labour MP

Strength of trust and good communications. They're an authoritative body that most people, including the members of Parliament, would take seriously.

Scottish National Party MP

Figure 5

MPs' perceptions of the National Audit Office (NAO), 2020 and 2021



□ 2020

■ 2021

Number of references to the NAO in Parliament per sitting day

7.0

6.0

Notes

- 1 Sample for 2021: 478 MPs contacted, 123 MPs interviewed, 95 MPs answered the National Audit Office questions (versioning used to control interview length).
- 2 Quotas and weighting used so results reflect the House of Commons by political party.
- 3 Broad sample controls also set on region and gender.
- 4 Fieldwork dates for 2021: November 2021 to February 2022. Fieldwork dates for 2020: November to December 2020.

Source: Ipsos MORI MPs Winter 2021 survey; National Audit Office Annual Report and Accounts, 2020-21

Our international work and insights

Our international work helps us learn from other audit offices across the world to strengthen our own efficiency and insight. We have three strands to this work:

- **International relations:** We contribute to international forums and work with other organisations to learn, offer our experience and collaborate on global themes, methods and standards.
- **International audit:** The NAO is the external auditor of some of the international organisations that receive UK funding.
- **Technical cooperation:** We strengthen accountability to taxpayers by helping countries that receive UK aid to deliver a professional public audit service.

We use our relationships with the national audit offices of different countries to learn about good practice and improve our insight by making international comparisons. In November 2021, we hosted the 55th Governing Board of European Supreme Audit Institutes in our London office.

In 2021-22 we supported 10 of our studies to make international comparisons that helped provide additional insight to our work. We fulfilled our role as the appointed external auditor of several international organisations, including the Pan American Health Organization, the World Intellectual Property Organization and International Telecommunication Union.

Case study

COP 26

The 26th UN Climate Change Conference (COP26) was held in Glasgow between 31 October and 12 November 2021. We worked with the European Organisation of Supreme Audit Institutions (EUROSAI) partners to develop a successful bid to speak at the conference on 'Translating climate ambition into delivery'. We spoke about the unique and valuable role that audit offices can play in the climate challenge and discussed insights from our recent climate change-related work alongside colleagues from the Israeli and Latvian audit offices and the European Court of Auditors.



Local audit

We continued to work with other stakeholders in local audit to support the local audit sector, particularly around enabling more timely completion of opinions for local government organisations. We reported on the delays in the local audit sector and supported the Committee in its evidence sessions on this [topic](#) in May 2021.⁹ We have maintained our [online tool](#) to help individuals access local auditors' reports in England.¹⁰

We have continued to work to support local audit with the Department for Levelling Up, Housing & Communities (DLUHC) and others through the Local Audit Liaison Committee, established by DLUHC in July 2021. The Local Audit Liaison Committee supports DLUHC as it provides leadership to the local audit system, pending the creation of a system leadership function in the establishment of the Audit, Reporting and Governance Authority. While continuing to discharge our current responsibilities, we have worked with other stakeholders to prepare for the transition of these responsibilities to the new system leader.

⁹ Comptroller and Auditor General, *Timeliness of local auditor reporting on local government in England, 2020*, Session 2019–2021, HC 1243, National Audit Office, March 2021. Available at: www.nao.org.uk/report/timeliness-of-local-auditor-reporting-on-local-government-in-england-2020/

¹⁰ National Audit Office, *Find a local public body's audit report*, March 2022. Available at: www.nao.org.uk/other/find-a-local-public-body-s-audit-report/



Correspondence

Receiving, investigating and replying to correspondence is an important part of our work. It is one of our direct contact points with MPs and the public and is a valuable source of information for our audit work. Correspondence gives us an opportunity to explain and inform people about our work and helps us focus our questions on public bodies to probe issues and concerns of interest to the public.

We typically receive around one thousand pieces of correspondence from the public and a hundred pieces from MPs each year. In 2021-22 we provided 1,169 responses to the public and MPs (1,181 in 2020-21). We value the correspondence we receive. We aim to respond to correspondence from MPs within 10 working days and from the public within 20 working days.



IN 2021-22, WE RESPONDED TO:

98%

of correspondence from the public within our target timescales (99% in 2020-21)

96%

of correspondence from MPs within our target timescales (92% in 2020-21)

75

formal requests for information under the Freedom of Information Act 2000 (120 in 2020-21)

1

request under the Environmental Information Regulations 2004 (1 in 2020-21)

5

subject access requests under the Data Protection Act 2018 (9 in 2020-21)

NEXT PAGE:
Our impact on outcomes and value for money

Our impact on outcomes and value for money

This section provides an overview of progress we have made on our strategic priority to increase our impact on outcomes and value for money.

What this section contains

Our impact

Diversity in our work

Positive financial impact of

£11

for every £1 spent

93%

of our recommendations
made between 1 April 2019
and 31 March 2021 have
been accepted or
partially accepted
by government

80%

of our surveyed senior
officials in the bodies we
audit agreed our work
leads to better outcomes

Our impact

Recommendations

We seek to increase our impact on outcomes and value for money primarily through recommendations about the services under examination in our reports. These are changes that government can make to lead to better outcomes.

We are improving the transparency of our long-term impact. In September 2021, we launched our [recommendations tracker](#), which brings together NAO recommendations published since April 2019.¹¹ The aim of the tracker is to increase transparency on the outcomes of our recommendations and promote scrutiny and parliamentary accountability for government spending.

Between 1 April 2019 and 31 March 2021, we made 498 recommendations, 461 (93%) of which have been accepted or partially accepted by government. In total, 145 (29%) have been implemented and 309 (62%) are work in progress.¹²

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.

This includes any impact that results in more cash being available for public funding, an improvement in productivity or an increase in output quality for the same or proportionately fewer resources. Financial impacts are agreed with the audited body and subject to an external audit review to ensure they are robust and reported accurately. A full list is included on pages 183 to 184 and an example opposite.

Our target is to achieve £10 financial impact for every £1 of net expenditure, which we have exceeded in most years. In 2021, our total audited impact was £874 million, which means we saved £11 for every £1 spent through our work. This means our work provided a positive return on the investment of public money made in us.

¹¹ National Audit Office, *NAO Recommendations Tracker*, September 2021. Available at: www.nao.org.uk/nao-recommendations-tracker/

¹² Our recommendations tracker uses recommendations published between April 2019 and March 2021. This timeframe is not directly comparable with the 2020-21 annual report and accounts, which uses a five-year rolling period between January 2015 and December 2020. The remainder of the recommendations not classified as implemented or work in progress are either no longer relevant or have no information on implementation.

We continue to act as an exemplar organisation in keeping our costs as low as possible and using our resources efficiently and will continue to strive to ensure our work leads to better outcomes and value for money in 2022.

Financial impact

Improved targeting of Environment Agency inspections resulted in a reduction in the number of packaging recovery notes issued fraudulently or in error.

Our 2018 report on the packaging recycling obligations found that Environment Agency compliance inspections were not focusing on exporters assessed as high-risk and recommended that the Environment Agency refine its approach to compliance and improve its approach to identifying and stopping problems in the packaging system once they arise.

Although work to reform the approach to compliance had started before our study, the Environment Agency's five-year plan for packaging waste compliance particularly highlights our recommendations as support to a restructuring of its compliance team and an increased focus on high-risk suppliers.

The Environment Agency estimates that its enforcement activity prevented £14.6 million of fraudulent or erroneous packaging recovery note revenue in 2019, £28.5 million in 2020 and £11.3 million in 2021, compared with £5.7 million in 2017 (the year prior to our audit).¹³ These amounts are an estimate of the value of packaging recovery notes that would have been issued had the enforcement not occurred, and would have been paid by packaging recovery note customers to the targeted companies, instead of to other providers issuing legitimate packaging recovery notes.

The new targeted approach meant that 21 formal enforcement interventions were carried out in the second half of 2020, compared with 26 in the eight years prior.

We agreed with the Environment Agency that the impact of our work equated to £18.5 million of impact.

Wider impacts

Our impact is not just measured by financial outputs – we have recorded substantial wider impacts helping government to become more efficient, effective and transparent, and continue to place great emphasis on areas where we can influence long-term value for money. These improvements include:

- a direct, beneficial impact on the lives of people as users of government services;
- helping to improve government capability;
- promoting transparency and accountability;
- drawing attention to risks that government must manage; and
- adding insights that improve processes and aid decision-making.

We have included examples of our impact, agreed with the bodies we audit, in wider impact case studies throughout the report. Our impact is also demonstrated by feedback we receive.

¹³ Required by companies to demonstrate that a certain amount of packaging has been recycled.

Governance and risk oversight for arm's-length bodies¹⁴

What we did

Our [arm's-length bodies \(ALBs\) report](#) includes various recommendations relating to Cabinet Office improving governance of ALBs.¹⁵ Our recommendations included setting common standards for what good departmental sponsorship arrangements look like and we recommended departments and the Cabinet Office should monitor ALB risks at departmental and cross-government levels. This includes establishing strong links between the Cabinet Office and the Government Finance Function on cross-departmental risks, and between departmental heads of risk on risks across their respective ALBs.

Impact and outcome

In line with our recommendations, the Cabinet Office has:

- revised its sponsorship guidance in a code of good practice, which regularly references the findings in our report;
- committed in its Treasury Minute response to work with the Government Finance Function to promote good practice and develop a mutual understanding of risk with proportionate monitoring and aligned reporting; and
- created an assurance framework based on its code of good practice which will allow assessment of organisational risk management maturity, to be published summer 2022. The Cabinet Office has shared with us the initial draft of its revised code of good practice and assurance tools that will assist the centre in developing an overview of ALB risk.

An improved approach to overseeing colleges' financial health

What we did

Our September 2020 report on the financial sustainability of colleges in England found that government was intervening in nearly half of colleges for financial health reasons, but intervention often took a long time and absorbed considerable amounts of public money. We recommended that the Education and Skills Funding Agency (the ESFA) should improve the effectiveness of its intervention regime.

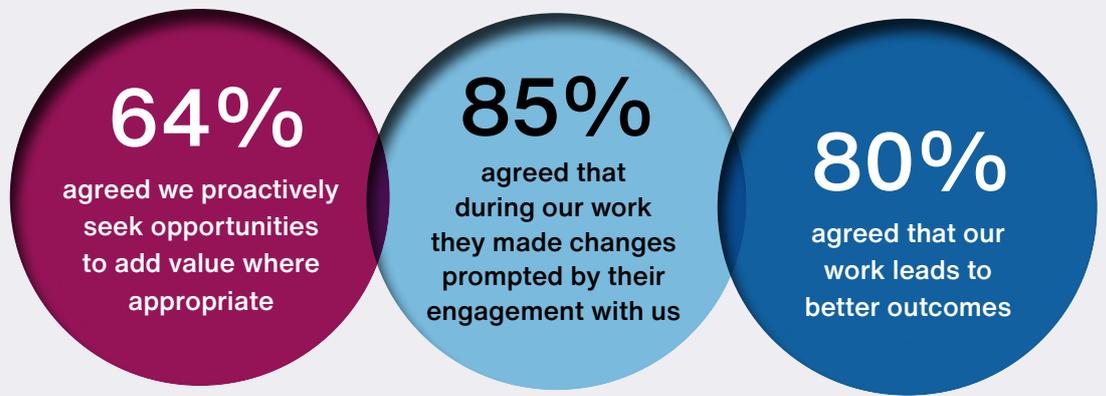
Impact and outcome

The ESFA implemented a new intervention policy from September 2021. The policy reflects a more proactive and preventative approach to supporting colleges, through a package of measures called 'active support'. This includes offering all colleges the opportunity to benefit from informal and formal support, such as diagnostics and reviews, along with post-intervention monitoring and support for ongoing recovery and improvement.

¹⁴ Arm's-length body (ALB) is a term commonly used to cover a wide range of public bodies, including non-ministerial departments, non-departmental public bodies, executive agencies and other bodies, such as public corporations.

¹⁵ Comptroller and Auditor General, *Central oversight of arm's-length bodies*, Session 2021-22, HC 297, National Audit Office, June 2021. Available at: www.nao.org.uk/report/central-oversight-of-arms-length-bodies/

OF THE SURVEYED SENIOR OFFICIALS IN THE BODIES WE AUDIT:

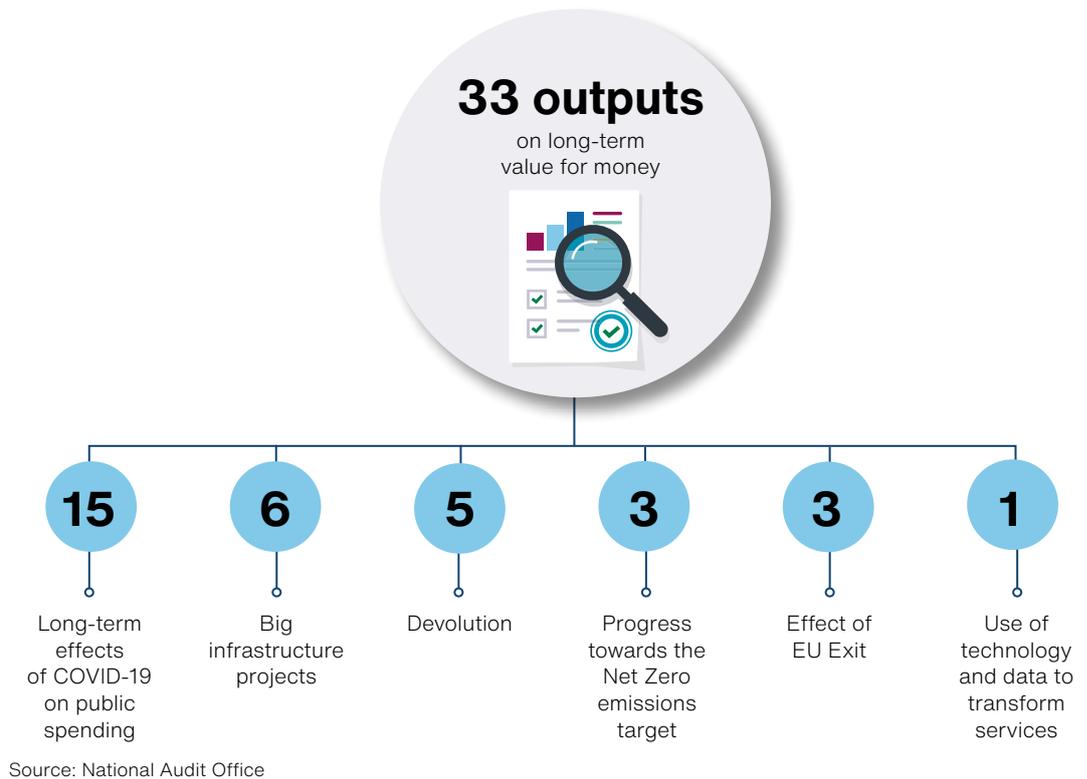


Our long-term impact

Our work focuses on the issues that matter most with respect to public spending, and we place great emphasis on areas where we can influence long-term value for money. Our work responds to the long-term implications of government's plans, including the long-term effects of COVID-19 on public spending, big infrastructure projects, the effect of EU Exit, progress towards the Net Zero emissions target, the use of technology and data to transform services, and devolution. In the past year, we have published 33 reports on long-term VFM issues, including 15 on COVID-19 (**Figure 6**).

Figure 6

Our 2021-22 reports on long-term value for money risks



NEXT PAGE:
COVID-19

COVID-19

We have provided timely reporting on the COVID-19 pandemic to help Parliament understand government's response and hold it to account. We have already carried out a substantial programme of audit work and continue to provide expert insight to help ensure that appropriate lessons are learned for the future. Highlights have included:

- examining government's plans for recovery with reports on the employment support grant scheme and backlogs in the NHS and criminal justice system;
- updating our COVID-19 cost tracker, setting out government's spending commitments on its response to the pandemic;
- focusing on government's procurement activity and the vaccine programme roll-out;
- drawing out wider learning for government from the pandemic with reports on initial learning and risk management; and
- using our audit opinions to point out disclosures made by government departments about uncertainties in their financial positions and issuing extra reports on accounts to draw issues to Parliament's attention.

Infrastructure

The Government Major Projects Portfolio, which brings together government's largest, most innovative and riskiest projects and programmes, contains around 180 projects with a total whole-life cost of around £540 billion. These are being delivered across 18 departments and their arm's-length bodies. We regularly report on the value for money with which government departments and agencies carry out their projects and programmes, building insights and lessons for government along the way. 2021-22 highlights have included:

- reporting on long-term infrastructure programmes, such as Crossrail and the decommissioning of Advanced Gas-cooled Reactor nuclear power stations; and
- generating lessons from our audit work in recent years to deliver a framework to review portfolios and lessons learned on delivering programmes at speed. More information is provided on page 62.

Net Zero

The government has set out its long-term environmental and climate change ambitions, including a legal requirement to achieve Net Zero carbon emissions by 2050. Meeting climate change targets will need significant changes, for example, in energy, transport, housing and agriculture. Our work has considered the value for money risks in this area, and this year we have:

- examined the robustness of government’s plans to fulfil Net Zero emissions targets with a report on the management and performance of the Green Homes Grant scheme; and
- reported on how effectively central government and local authorities in England are collaborating on Net Zero and on the government commitment to increase tree-planting rates across the UK.

EU Exit

We have produced three reports on the impact of the UK leaving the EU in 2021-22, including examining the progress made with the government’s programme of trade negotiations and the government’s progress managing the border and implementing the Northern Ireland Protocol since the end of the transition period.

Wider impact

Providing ongoing insight into EU Exit preparations at the border

What we did

Since the referendum in 2016, the NAO has published six reports examining the government’s preparations to manage the border in the context of EU Exit. These reports have aided parliamentary scrutiny of the subject including directly informing eight Committee of Public Accounts sessions, in addition to being used extensively to inform other debates and parliamentary sessions.

Impact and outcome

Our scrutiny has supported government departments in their preparations to manage the border by: bringing together a wide range of evidence to present an overall picture of readiness and risk; highlighting significant issues for departments and other stakeholders to manage in advance of key deadlines; and encouraging departments to learn lessons and refine their approach as EU Exit preparations progressed.

At the November 2020 Committee of Public Accounts evidence session on our report, [*The UK border: preparedness for the end of the transition period*](#), the chief operating officer of the civil service noted that the report had been exceptionally useful and comprehensive, and that it had showed the complexity and scale of the preparations that needed to be ready for the border.¹⁶

¹⁶ Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019–2021, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/report/the-uk-border-preparedness-for-the-end-of-the-transition-period/

Diversity in our work

Considering the impact of government activity on different groups is an important way of highlighting inequalities in how public services are delivered.

As part of our strategy, we continue to reflect a range of perspectives of users of public services in our VFM and wider assurance work and examine the effect public spending has on different groups of people. In 2021-22 we published 19 reports that considered the differential impact of services and policies on different groups of people (for examples, see the following case studies).

Case study

Reducing the backlog in criminal courts

In our value-for-money study published in October 2021, *Reducing the backlog in criminal courts*, we examined the Ministry of Justice's (the Ministry's) and Her Majesty's Courts & Tribunals Service's (HMCTS's) management of the criminal courts backlog, including support for victims, witnesses and defendants.¹⁷

Our report found that the backlog in the Crown Court – where the most serious cases are heard – had increased rapidly with the onset of the COVID-19 pandemic. This meant victims, witnesses and defendants were waiting longer for their cases to be heard. Rape and serious sexual offence cases had been acutely affected.

We also found that the Ministry and HMCTS had a poor understanding of how the pandemic and their recovery efforts had affected vulnerable and ethnic minority users, despite a series of commitments on supporting vulnerable users. For example, we found no evidence that the Ministry and HMCTS had collected data on users' ethnicity to carry out meaningful analysis on whether ethnic minority groups had been disadvantaged by recovery efforts and the pandemic.

The report recommendations focused on agreeing shared cross-criminal justice system objectives for recovery, developing a shared understanding of the capacity and capability of other parts of the system, and making improvements to data to support recovery and understand the diversity of user experiences.

¹⁷ Comptroller and Auditor General, *Reducing the backlog in criminal courts*, Session 2021-22, HC 732, National Audit Office, October 2021. Available at: www.nao.org.uk/report/reducing-the-backlog-in-criminal-courts/

Case study

Windrush Compensation Scheme

In May 2021, we published an *Investigation into the Windrush Compensation Scheme*, the Home Office’s scheme to compensate members of the Windrush generation and their families who had suffered harm as a result of the Home Office’s ‘hostile environment’ policies.¹⁸ The investigation covered the Home Office’s establishment and administration of the scheme, including its development, engagement activity and operational performance.

We reported that research for the Home Office’s engagement activity identified two main barriers – awareness and trust – that may have prevented people from approaching the Home Office for help. Operationally, we found the scheme started accepting applications before it had the staff or systems in place, and each case took, on average, five times longer to process than expected. We reported that the Home Office needed to sustain its efforts to improve its case working operations and management systems to ensure it fairly compensates members of the Windrush generation in acknowledgement of the suffering it had caused them.

Case study

Improving outcomes for women in the criminal justice system

Our report *Improving outcomes for women in the criminal justice system*, published in January 2022, examined the Ministry of Justice’s (the Ministry) progress with its Female Offender Strategy.¹⁹ The strategy set out how the Ministry aimed to improve outcomes for women in the criminal justice system based on their specific needs and vulnerabilities.

Our report found that despite wide support for the strategy, the Ministry has made limited progress in implementing the actions contained in the strategy and had a poor understanding of whether the strategy was making progress towards its aims. We also reported that progress has been slow in meeting the needs of ethnic minority women, and that there were gaps in the data that detract from understanding women’s outcomes. Our recommendations focused on setting clearer goals and increased transparency about the programme’s main activities, improved performance measures and data and a better evaluation strategy to understand the impact of its interventions for women in the criminal justice system.

¹⁸ Comptroller and Auditor General, *Investigation into the Windrush Compensation Scheme*, Session 2021-22, HC 65, National Audit Office, May 2021. Available at: www.nao.org.uk/report/investigation-into-the-windrush-compensation-scheme/

¹⁹ Comptroller and Auditor General, *Improving outcomes for women in the criminal justice system*, Session 2021-22, HC 1012, National Audit Office, January 2022. Available at: www.nao.org.uk/report/improving-outcomes-for-women-in-the-criminal-justice-system/

Our performance
measurement
framework

Our impact on
outcomes and
value for money

Accountability
report

Financial
statements



Case study

Police Uplift Programme

Our March 2022 report on [The Police Uplift Programme](#) examined the Home Office's progress in recruiting an additional 20,000 police officers by March 2023 and making police forces more representative of the communities they serve.²⁰

Our report found the Home Office was on track to achieve its overall target of 20,000 officers by the end of the programme and that diversity in policing was slowly improving. The improvement was in line with improvements in previous years, but there was considerable variation within different ethnicities. We reported that representatives in police forces told us that building trust in ethnic minority communities would take years and could not be addressed within the timeframe of the programme. We also identified that the recruitment process can adversely affect the number of recruits from ethnic minority backgrounds, with vetting having a disproportionate impact on ethnic minority applicants. At the time of reporting, the Home Office was undertaking activity at both national and force level to help forces to understand the extent of and address these imbalances, and to identify where the process might disproportionately affect a recruit from an ethnic minority group from successfully passing vetting to become a police officer.

²⁰ Comptroller and Auditor General, *The Police Uplift Programme*, Session 2021-22, HC 1147, National Audit Office, March 2022. Available at: www.nao.org.uk/report/the-police-uplift-programme/



NEXT PAGE:
Accessible independent insight

Accessible independent insight

This section provides an overview of progress we have made on our strategic priority to provide more accessible independent insight.

What this section contains

Our insight work

Developing and sharing our expertise

61%

of surveyed senior officials
in the bodies we audit
told us they get insight
from us they do not get
from anyone else

68%

of MPs surveyed agreed
our insights and reports
are easy to find
and access

Achieved an Average
Article Rating of

**66 out
of 100***

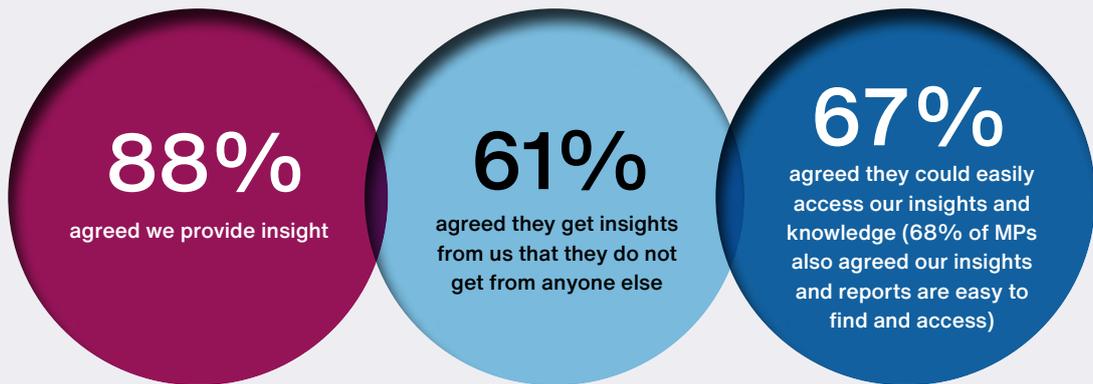
• Average Article Rating is a composite score out of 100. It incorporates metrics on media coverage including on tone, corporate messages and headlines.

Our insight work

We have deep knowledge of the challenges facing government, and our audit work gives us a unique perspective on how these challenges are being met. Our cross-cutting viewpoint means we often see recurring issues across government as well as innovations or successful ways of working that could be applied more widely. By sharing our insights on these issues, we want to make it easier for others to understand and apply the lessons from our work.

We are uniquely well placed to draw out insights.

OF THE SURVEYED SENIOR OFFICIALS IN THE BODIES WE AUDIT:



There is high media interest in our work, allowing our findings to reach a broad audience. Our Average Article Rating, was 66 out of 100.²¹

We also know there is more to be done. In the coming year we will continue to make it easier for stakeholders to access and engage with our work and our insight specialisms will draw together learning in areas where we assess there to be opportunities for government to improve its capability.

²¹ Average Article Rating is a composite score out of 100. It incorporates metrics on media coverage including on tone, corporate messages and headlines.

Lessons learned reports

We have built on our rapid and timely response work in 2020-21 to deliver reports drawing out lessons learned for government, supporting government to work to become more effective and efficient. In 2021-22 we produced five lessons learned reports including:

Case study

Initial learning from the government's response to the COVID-19 pandemic

Our [report](#) shares learning from our work on the COVID-19 pandemic including on important areas such as risk management; transparency and public trust; data and evidence; coordination and delivery models; supporting and protecting people; and financial and workforce pressures. Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.²²

²² Comptroller and Auditor General, *Initial learning from the government's response to the COVID-19 pandemic*, Session 2021-22, HC 66, National Audit Office, May 2021. Available at: www.nao.org.uk/report/initial-learning-from-the-governments-response-to-the-covid-19-pandemic/

Case study

The challenges in implementing digital change

This [report](#) looks into why large-scale government programmes repeatedly run into difficulties.²³ This involved consultation with senior digital leaders from across government and also included discussion with experts from industry, academia and think tanks, to highlight the nature of the challenges in implementing digital change, and understand why government has found it hard to apply the lessons of experience. It identifies lessons around understanding aims, ambition and risk; engaging commercial partners; legacy systems and data; capability; delivery methods; and funding methods, as essential to get right at the outset.

²³ Comptroller and Auditor General, *The challenges in implementing digital change*, Session 2021-22, HC 575, National Audit Office, July 2021. Available at: www.nao.org.uk/report/the-challenges-in-implementing-digital-change/

Case study

Efficiency in government

In our work we have learned about the successes and failures of past government attempts to improve efficiency.²⁴ This [report](#) draws out the issues we regard as being most important for government to get right when it comes to: identifying efficiency gains that can endure, having a robust plan to realise those gains and finding ways to embed efficiency as an ongoing priority.

²⁴ Comptroller and Auditor General, *Efficiency in government*, Session 2021-22, HC 303, National Audit Office, July 2021. Available at: www.nao.org.uk/report/efficiency-in-government/

Good practice guidance

In 2021-22 we published eight guidance and good practice documents, including:

Case study

Good practice in annual reporting

Our [interactive guide](#) provides examples of good practice in annual reporting, drawing on examples we have seen from the public, private and charity sectors.²⁵ In producing this guide, our aim was to meet often repeated requests for us to share to the wider public sector community where we see innovation and good practice in annual reporting.

²⁵ National Audit Office, *Good practice guide: Good practice in annual reporting*, January 2022. Available at: www.nao.org.uk/report/good-practice-in-annual-reports/

Case study

Good practice guidance for managing the commercial lifecycle

Given that annual public expenditure on goods and services routinely exceeds £206 billion per year, the risks and opportunities to deliver value for money for the taxpayer merits ongoing focus by all public authorities. This [good practice guidance](#) is structured around the 10 stages that we have defined as the commercial lifecycle, supported by case studies and containing links to relevant government guidance. The guide also reflects upon findings and recommendations drawn from 209 reports concerning 350 commercial arrangements that we have published over the past 20 years.²⁶

²⁶ National Audit Office, *Good practice guidance: Managing the commercial lifecycle*, July 2021. Available at: www.nao.org.uk/report/good-practice-guidance-for-managing-the-commercial-lifecycle/



Developing and sharing our expertise

We continue to enhance our expertise in the skills that are a priority for government, enabling us to focus more work on, and help improve value for money in, areas that are important to making government more efficient and effective.

In 2021-22, we continued to develop our six insight teams, drawing on our expertise across financial audit and VFM (see Figure 3 on pages 20 and 21). In 2021-22, we completed recruitment of senior experts for each of these areas of specialism and raised the profile of our experts through blogs and events. In 2022-23, these insight teams will continue to support NAO teams, draw together insights from across our work and share their expertise with stakeholders involved in delivering public services.

To increase the impact of our wide range of work, we are using our digital channels, publishing reports and blogs on our website, and using a variety of content, including video, to increase awareness and engagement through Twitter, LinkedIn and email alerts. In 2021-22, our website (www.nao.org.uk) received an average of 46,280 visitors per month and during this period close to 186,000 PDF reports were downloaded. We also published 23 blog posts on a range of topics, such as cyber security, managing the commercial lifecycle and effective regulation and our social media posts achieved a total of 2.4 million impressions.²⁷ Later this year we will relaunch our website so that stakeholders can find the insights they need more easily.

We regularly speak at a range of external events to share our work and host our own events to engage directly with stakeholders. This gives us the opportunity to communicate and facilitate discussions about our work and gain feedback. In March 2022, we held a webinar on our recent report *Financial modelling in government*; there were more than 250 attendees from across the public sector, who were able to engage with each other and ask our experts questions to grow their knowledge.²⁸ For more on how we share our knowledge, see our website: www.nao.org.uk/knowledge/.

²⁷ Impressions are the number of times a post was seen in a social media feed.

²⁸ Comptroller and Auditor General, *Financial modelling in government*, Session 2021-22, HC 1015, National Audit Office, January 2022. Available at: www.nao.org.uk/report/financial-modelling-in-government/

Case study

Using our insights on delivering programmes at speed

In September 2021, we published insights from our work on *Delivering programmes at speed*.²⁹ Our report is designed to help decision-makers determine when or how a programme should be delivered at speed and then continually test whether they can do so. Here, Emma Willson, who leads our work on Major Project Delivery, explains how we have used these insights since publication.

“Over the last few years, the COVID-19 pandemic has shone a light on how (and when) government may need to deliver outcomes quicker than normal – whether this be vaccines or supporting those on the furlough scheme. Through our work on COVID-19 and wider, we have seen some programmes successfully delivered quickly (but not all). Our lessons learned report gathers together these insights for decision-makers.

“However, publishing our report has only been part of our insights work. It has been a foundation for discussion on when speed works, including when I opened the Project Controls Expo 2021 to help practitioner conversations on the practical challenges. To maximise our value, we have helped departments understand how to apply our insights. We wrote a blog identifying their applicability to a particular programme and have run departmental seminars. These worked particularly well where departmental teams also shared their own perspectives. We have had positive comments from audited bodies who have found the framework useful. Building on this, it has been great to see NAO colleagues use the framework to assess programmes and develop insightful recommendations that reflect the particular challenges they see.”

Wider impact

Recognising the value of our work on climate change risk**What we did**

One of the objectives for our expert hubs is to make the most of our knowledge, and use this to influence our clients. Our Financial and Risk Management hub produced a guide for audit and risk assurance committees on climate change risk. We identified this as an emerging risk area across government which was not attracting the level of attention we expected. Our guide was aimed at audit and risk assurance committees, to help them support and challenge management on how climate change risk was being managed.

Impact and outcome

Our guide has already been the prompt for numerous conversations across government departments. We have started to see departments and arm’s-length bodies use this as a prompt to develop climate change-specific risk assessments so they can more actively manage climate change risk.

²⁹ Comptroller and Auditor General, *Lessons learned: Delivering programmes at speed*, Session 2021-22, HC 667, National Audit Office, September 2021. Available at: www.nao.org.uk/report/lessons-learned-from-delivering-programmes-at-speed/



NEXT PAGE:
Our people



Our people

This section provides an overview of progress we have made on our strategic enabler to attract, retain and develop high-quality people.

What this section contains

Supporting and developing our people

Diversity and inclusion

Sickness absence

99%

of our people have a personal development plan

An

8.26%

gender pay gap, **down from 9.99%** last year and a 12.76% ethnicity pay gap, down from 13.36% last year

A

2.2%

disability pay gap, our first time voluntarily publishing



We want our people to be proud to be part of our diverse, inclusive and healthy workplace and we have a set of NAO values which reflect the culture and behaviours we need to meet the ambition of our strategy. We want to attract talented people and support them to become even better at what they do, enhancing their careers and ensuring we have the skills and capabilities we need.

Supporting the development of our people

We have worked on improving our focus on developing our people's skills and capabilities and enhancing the quality of people management. We have strengthened our learning opportunities, including new training for our staff, in response to heightened expectations around audit quality.

Following on from changes we made to the way we manage our people through our approach to line management, we have encouraged a deeper focus on personal development, including with the requirement of a personal development plan. We have revised the way in which we allocate work so that it more effectively matches skills and development to the requirements of the role. We have also introduced more internal secondments, helping to share our experience and skills across the organisation, and held events on career stories and development opportunities.

Our learning and development (L&D) team helps to develop, deliver and support learning experiences across our organisation. This has included workshops delivered virtually, a wide range of tailored e-learning, coaching, mentoring and support for action learning sets.



Our L&D team works with a number of experts in topic areas and combines that with its own expertise in L&D delivery to ensure that we provide our people with the best experiences and valuable insights from within and outside of the NAO. Highlights from the year:

- Delivered learning content that could be accessed virtually, reviewing best practice, using new methods of digital delivery and refreshing our virtual learning programme.
- Launched a new director curriculum to help support our director development. A large number of directors benefitted from the opportunity to reflect on their leadership with a coach (more on our wider coaching in our case study overleaf).
- Partnered with an external organisation to support our directors in becoming trustees to charities so that they can gain valuable insights into how non-profit organisations are run and how governance works and to utilise their skills and experience to help others.
- Developed our people's skills in harnessing engagement digitally through our 'train the trainer' programme alumni and our director curriculum.
- Developed a 'building blocks' style of learning programme to ready our people for the significant change that the Audit Transformation Programme (ATP) will bring. We also piloted our training events. The insight from these will be crucial in shaping an interactive learning experience when the project is fully rolled out.
- Performance coaches have access to internal coaches to provide one-to-one support. They are encouraged to attend our people management skills course and use our internal learning and development platform, which contains support and resources on career management.

Case study

A spotlight on coaching

Coaching is an important part of learning and development at the NAO. Here, Daniela Corallo in the L&D team explains a little about the coaching faculty and how it relates to our value of being curious and seeking to learn.

“When I experienced coaching for myself and saw the benefits it brought me, I decided that I wanted to bring it to the NAO so that our people could benefit too. I set up a coaching faculty with around 20 interested colleagues who took part in a coaching skills training programme, and subsequently provided them with a safe space for group reflection, sharing, guidance and support.

“Our coaches are committed to investing in their own learning and I enjoy supporting their curiosity by creating opportunities for them to continue, and share, their learning in a range of ways. One of the things I love about coaching is that it is very inclusive: we offer coaching for colleagues with a multitude of needs. This includes providing coaching alongside some of our learning programmes, to new parents returning to work, for those new to the organisation or who have been recently promoted. We collect feedback from the coachees when they have concluded their coaching journey, as a measure of their growth and what they have gained from the experience, and have received powerful endorsements.”

Of our graduates, 84% passed the Professional Stage examinations for the Association of Chartered Accountants (ACA) qualification at the first attempt, compared with a national average of 82%, and 85% passed the Advanced Stage examinations at the first attempt, compared with a national average of 88%.





Responding to our people

During the early phases of the COVID-19 pandemic we communicated continuously with our colleagues, including through regular pulse surveys. This proved highly effective in allowing us to address problems quickly. We resolved to maintain frequent two-way communication once we were able to return to more normal ways of working. Our previous annual staff survey was no longer an adequate way of gathering feedback. As such, since February 2021 we have run a monthly survey.³⁰

Since its launch, 81% of all colleagues have participated at least once. The richness of information captured from the survey is greater than anything we have had before. The frequent nature of the survey means that the information shared is relevant and up to date, with the survey capturing changes in views as well as new concerns. We use the feedback, alongside our strategy, to inform our longer-term planning and reporting at executive, group and team level. We also respond to the feedback by taking immediate action where appropriate. The results are summarised in **Figure 7** overleaf.

While we were pleased to see improvement in areas such as recognition and our work environment, our overall engagement score fell to 6.9 (out of 10.0) from 7.3 last year. As a result, we will do more to demonstrate to our people that we are responding and making progress in addressing their feedback, with the expectation that this will improve our engagement score. In particular, we will demonstrate how we are addressing concerns about reward and workload as our two lowest-scoring responses, including by completing our review of the pay framework in 2022-23. We will also be focusing on increasing our participation rate for the survey.

³⁰ We did not run monthly surveys in August 2021 and January 2022.

Figure 7
People Survey results 2021-22

Average driver results out of 10



Note

1 We have a bank of 52 questions including on engagement, our values and strategy, as well as opportunity to provide open feedback. The results are summarised under 14 drivers. These drivers measure how satisfied employees are with the culture, leadership and responsibilities that make up their experience at work.

Source: National Audit Office

● Engagement

Engagement is measured through questions on likelihood of recommending the NAO as a place of work, staying at the NAO and job satisfaction.

● Accomplishment

Accomplishment is measured by people feeling accomplishment from what they do and whether they have opportunity to do challenging things at work.

● Autonomy

Autonomy is measured by people feeling satisfied with the amount of flexibility in their work schedule and freedom to decide how to do work.

● Environment

Environment is measured by the physical work environment contributing positively to people's ability to do their job, and that they have the materials and equipment to do their job well.

● Freedom of opinion

Freedom of opinion is measured by whether people feel their opinions are valued, their manager cares about their opinions and co-workers welcome different opinions.

● Goal-setting

Goal-setting is measured by people understanding what they are expected to deliver and how it supports team goals.

● Growth

Growth is measured by whether people feel they are growing professionally, their job enables them to learn and develop new skills, development is encouraged and if there is a path to advance their career as well as learning new skills and manager support with development.

● Management support

Management support is measured by whether managers are providing support needed, and cares and communicates openly and honestly to our people.

● Meaningful work

Meaningful work is a measure of whether our people have the opportunity to use their strengths, find their work meaningful and see how it contributes to positive outcomes.

● Organisational fit

Organisational fit is measured by our values being a good fit, treating people from all backgrounds fairly, action against misconduct and mental wellbeing.

● Recognition

Recognition is measured by the extent to which our people feel that they get recognised for great work and that they get enough feedback on their performance.

● Peer relationships

Peer relationships are measured by support from co-workers and co-workers commitment to quality work.

● Reward

Reward is measured by whether people feel they are fairly rewarded (in terms of pay, promotion and training) for their contribution to the organisation.

● Strategy

Strategy is measured by whether people feel goals and strategies are taking the NAO in the right direction, there is communication of these goals and strategies, and being inspired by our purpose and mission.

● Workload

Workload is measured by whether people feel that the demands of their workload are manageable.

Our ways of working

This year we established our new ways of working, introducing a blended approach of staff spending time working in our offices, at the sites of those we audit and remotely. This also created the opportunity to bring people together to discuss our approach to learning from feedback. Nigel Terrington, our Director of Strategy, reflects on these opportunities.

“This year we held two senior management events in person as we established our new ways of working following periods of enforced home-working arising from the COVID-19 pandemic. These events enabled us to engage with and consult directors on our annual strategy update for Parliament. We considered how we could produce our audits to meet the highest quality standards while also bringing as many as possible back to deliver before the parliamentary summer recess – and doing this as efficiently as possible.

“We also used the events to hold sessions learning from feedback from our own staff, members of Parliament and senior officials in the bodies we audit. The events demonstrated our commitment to engaging with the full senior leadership group in progressing our strategy and acting as a learning organisation, open to adapting and continuously improving, based on high-quality feedback. Participants welcomed the opportunity to take part in such events face-to-face and felt this added value in terms of collaboration and re-connecting with colleagues.”

Diversity and inclusion

Diversity and inclusion (D&I) is about seeing people as unique individuals and embracing all identities and perspectives. It is important that everyone feels valued and able to contribute regardless of their background or working style.

Our ambition is to be an exemplar organisation for D&I, one that others look to learn from. We want colleagues to feel confident being themselves and to see the NAO as a fantastic place to develop their career. This vision is embedded within our value of inclusion and respect and is voiced through our belief that the NAO is at its strongest when we embrace all our unique characteristics.

In June 2021 we launched our new four-year D&I Strategy (2021–2025), which supports the delivery of our wider organisational strategy. In our D&I Strategy we fully acknowledge that we have not made as much, nor as quick, progress as we would have liked. We also acknowledge and celebrate where we have had success and the progress we have made. This has included: launching our inaugural diversity mentoring programme; improving the diversity of our graduate intake; building on the success of our internship programmes; and making progress against our targets for greater diversity at senior levels in the organisation.

Our strategy focuses on four key priorities:

- Proactively strengthening the diversity of our pipeline.
- Maximising the potential of all our people.
- Building a culture of inclusion and respect for others.
- Setting clear ambitions and holding ourselves to account.

Our strategy is supported by three detailed equality action plans covering race, disability and social mobility with progress actively monitored on a quarterly basis by our Diversity & Inclusion Operating Committee (DIOC) and by our Executive Team.

Having set a detailed series of key D&I targets in 2020, we have continued to make strong progress in 2021-22 across a range of these measures and are ahead of our target position on the majority of them. It is important that we show progress against our 2020 baseline with specific highlights as follows (all figures comparing March 2020 to March 2022):

- Ethnic minority representation across the NAO has increased from 19% to 23%.
- Female representation at executive director/director level has increased from 27% to 36% and ethnic minority representation from 8% to 10%.
- Ethnic minority representation at audit manager/Band 1 level has also increased from 10% to 16%.
- Our 2021 trainee intake was significantly more diverse than the intake from two years previously. Female representation remained the same at 42%, ethnic minority representation increased from 23% to 53%, and the percentage of new trainees with a declared disability increased from 11% to 17%. In addition, 90% of our trainees were from a state school background, which is one measure of social mobility.
- Our 2021 annual appraisal round eliminated the previous differences in the proportion of older staff and staff with a disability who were considered as having performance concerns.

Our staff composition for 2021-22 and 2020-21 is listed in **Figure 8** on page 75. We have taken a series of actions to deliver against our four-year D&I Strategy, including material progress in our ambitions to eliminate our gender and ethnicity pay gaps by 2027 and 2030 respectively. Further detail on this is provided below and in our [Diversity pay gap report](#).³¹

Initiatives delivered in 2021-22 have included: further enhancements to our internship programme, with expanded numbers and greater outreach; launching our second diversity mentoring programme with an increased number of partnerships; implementing our revised approach to Equality Impact Assessments; delivering improvements to our workplace adjustment process; and securing agreement to the NAO's first sponsorship programme aimed at supporting ethnic minority managers progress to director.

³¹ National Audit Office, *The National Audit Office diversity pay gap report – 2021*, February 2022. Available at: www.nao.org.uk/about-us/wp-content/uploads/sites/12/2022/02/The-National-Audit-Office-diversity-pay-gap-report-2021.pdf

Case study

Diversity mentoring programme

In 2019 we launched our first diversity mentoring programme, pairing senior leaders with mentors from across the business and from diverse groups across the office. With the success of this pilot, we launched a second programme in December 2021. Here, a few of our colleagues from the pilot discuss the programme and what insight they gained.

Mentee

"Taking part in both waves of the programme has really opened my eyes to some of the issues faced by my colleagues, in both their personal and professional lives. I've been humbled by how open they've been in talking about their experiences and struck by what this means for how we translate our ambitions into a truly inclusive culture."

Mentor

"I really valued my time in the diversity mentoring programme as a chance to meet with other people within the organisation (both other mentors and mentees). It was important to me to be able to share my experiences with my mentee and we had some really interesting discussions about both diversity but also our wider experiences of work and life. The programme really emphasised to me that it's vital to acknowledge and value the wide variety of experiences within our organisation."

Progress in recruitment and promotion

As part of our D&I Strategy, we developed revised protocols underpinning our recruitment and promotion to align with new corporate values and to redress historic disadvantage for under-represented groups, particularly ethnic minorities.

They promote the principles of fair and open competition and focus on securing outcomes which ensure the NAO is a fully diverse employer, representative of the community we serve. The protocols include:

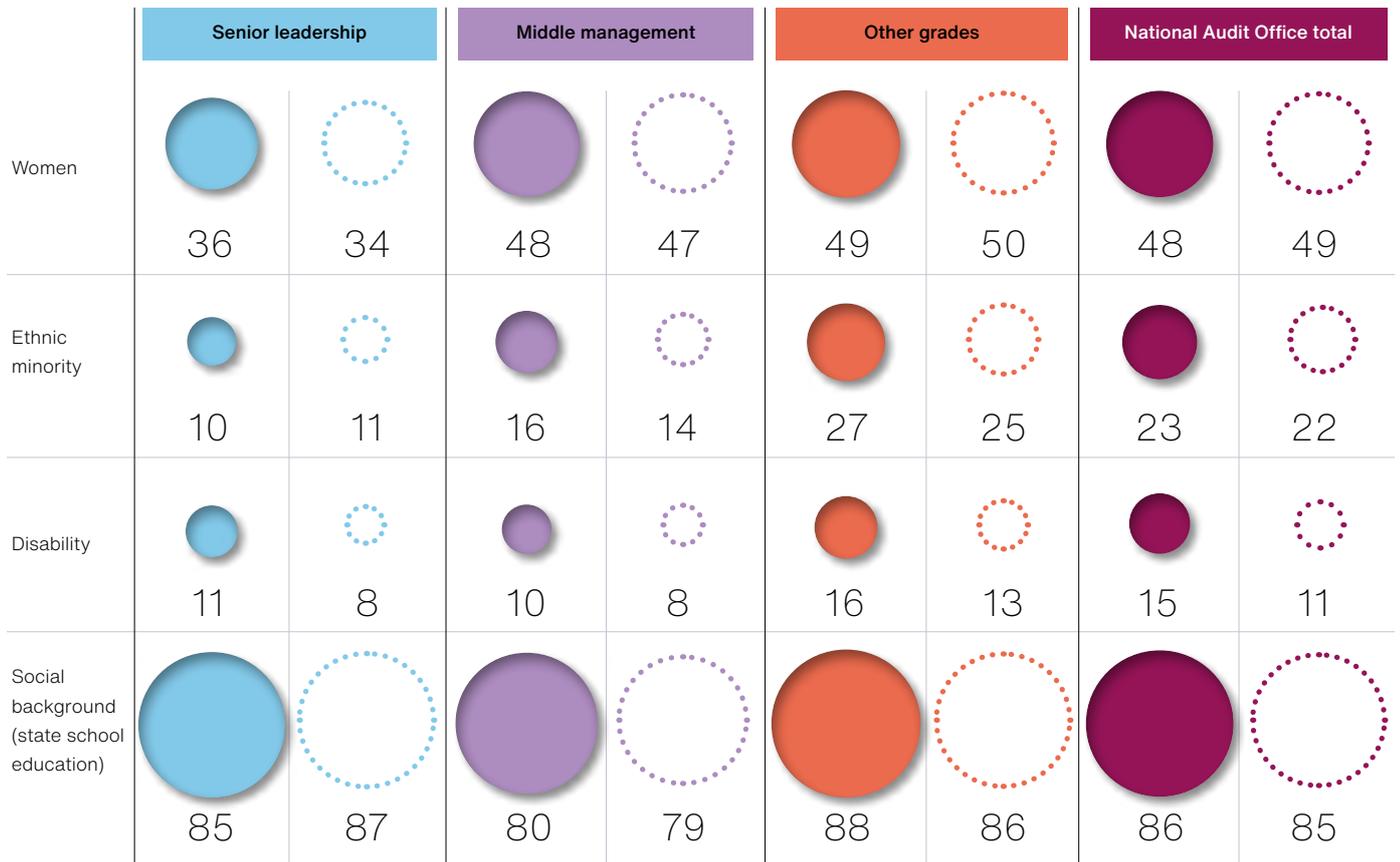
- building diversity into all aspects of our campaigns, taking positive action where appropriate;
- monitoring diversity at all stages of a recruitment campaign;
- Executive Team and HR director approval of all shortlists, with panels asked to reconsider or remarket campaigns if shortlists are not suitably diverse; and
- ensuring both the selection panels and the groups of candidates participating in assessment days are diverse.

Our revised approach has contributed to significant improvements in the diversity of our recruitment and promotion outcomes, with ethnic minority candidates making up 53% of our graduate recruits; 35% of our experienced hires; and 20% of our promotions.

Figure 8

Staff composition as at 31 March 2022

Percentage of women, ethnic minorities, people with a disability and people from state school backgrounds in senior leadership, middle management and other grades



● 2021-22 values

○ 2020-21 values

Notes

- 1 Data as of 31 March 2022.
- 2 Senior leadership = executive director/director; Middle management = audit manager/Band 1; Other grades = all grades below audit manager/Band 1.
- 3 Social background is based on percentage of people who attended a state school (including selective state school).
- 4 Analysis excludes 'Prefer not to say', 'Other' and non-disclosure which was 9% for gender, 3% for ethnicity and 4% for disability. Analysis excludes 'Prefer not to say', 'Attended school outside of UK', 'Not sure', 'Home school', 'Other' and non-disclosure for social background, which was 21%.

Source: National Audit Office

Diversity pay gaps

In February 2022, we published our diversity pay gap report based on pay data as of 31 March 2021. We have made an annual declaration of our gender pay gap since 2017. In 2020 we made the decision to voluntarily publish data on our ethnicity pay gap and in 2021 we also decided to voluntarily publish data on our disability pay gap. We want to offer transparency to our staff and the wider public, to hold ourselves to account for eliminating gaps where these have been identified, and as part of our wider ambitions to be an exemplar organisation for diversity and inclusion.

While we acknowledge we have further to go, we are pleased that the actions we continue to take have resulted in reductions in our mean and median pay gaps for both gender and ethnicity. These results provide us with confidence that we are on track to meet our targets of eliminating the gender pay gap by 2027 and the ethnicity pay gap by 2030.

For more on the progress we have made and how we intend to close the pay gap further, see **Figure 9**, our [Diversity pay gap report](#) and our [Diversity and Inclusion Strategy 2021–2025](#).^{32,33}

Figure 9

Diversity pay gaps, 2020 and 2021

Mean and median pay gap figures for gender, disability and ethnicity

	Gender %	Ethnicity %	Disability %
Mean gap	8.26	12.76	2.2
Percentage point reduction from 31 March 2020	-1.73	-0.6	No comparison available
Median gap	6.39	18.04	0
Percentage point reduction from 31 March 2020	-0.65	-1.71	No comparison available

Note

1 2021 was the first year we published data on our disability pay gap.

Source: National Audit Office, *The National Audit Office diversity pay gap report – 2021*, February 2022, available at: www.nao.org.uk/about-us/wp-content/uploads/sites/12/2022/02/The-National-Audit-Office-diversity-pay-gap-report-2021.pdf

32 See footnote 31.

33 National Audit Office, *Diversity and Inclusion Strategy 2021–2025*, June 2021. Available at: www.nao.org.uk/report/nao-diversity-and-inclusion-strategy-2021-2025/

Sickness absence

We continue to be committed to the physical and mental health of our people. We have a comprehensive sickness management policy and aim to keep our sickness absence rates as low as possible.

Our sickness absence rates have increased in 2021-22, to an average of 5.6 days (2.2%) per employee from 3.8 days (1.4%) in 2020-21. COVID-19 symptoms accounted for 0.9 days (0.4%), much of this in the final quarter of the financial year. Mental health-related absence accounted for 1.4 days (0.6%).

We have maintained a dedicated area of our intranet for advice and support on managing physical and mental health and have an employee assistance programme available. Our mental health first aider network has provided support throughout the year, signposting people to further support or just being available to listen. We have offered flexibility or a reduction in working hours for those who could not work their usual hours due to, for example, childcare commitments or their health.

We will continue to monitor our sickness absence data to identify any trends and proactively address them.



Technology, data and knowledge

This section provides an overview of progress we have made on our strategic enabler to make more effective use of technology, data and knowledge.

What this section contains

Technology

Audit Transformation Programme

Data-led insights

Appointed strategic partner for our Audit Transformation Programme

13

additional insights published including data visualisations and interactive maps

A score of

7 out of 10

for our people finding information they need

Technology and data analysis helps us perform our audit work more effectively and creates new ways in which we can communicate our insights. They play an important role in both our financial audit and VFM work as well as helping us run our own organisation more efficiently.

We use collaboration tools and technology to support our ways of working, creating online toolkits to help our staff engage more effectively. Reliable technology tools and associated systems have been essential due to working from home during the COVID-19 pandemic. Even prior to the COVID-19 pandemic, our staff were used to working away from our offices and, as such, our systems have been designed to support remote working. In our monthly survey, our people agreed they could find information they needed to do their work effectively, scoring this 7.0 out of 10.0, up from 6.9 in 2020-21.

Our technology includes systems used to document our audit work, share data securely with the bodies we audit, and analyse financial data. Another key part of our technology infrastructure has been videoconferencing systems, ensuring we can work across multiple platforms to match preferences of the bodies we audit. All our key systems are cloud-based, which facilitates remote support of these systems. Our increased reliance on technology tools for all aspects of our work means we continue to invest in our cyber-security protection measures.

Case study

Digital audit and the new ways of working

Over the past five years, we have been investing in our Digital Financial Audit capability. Here, Aftab Ayoob, an audit manager in our IT Audit team reflects on digital audit and our new ways of working.

“We recognised the increasing automation in government and the movement of the wider financial audit industry towards a more digitally enabled approach, built around IT audit, data and analytics (D&A), and using technology to enhance the audit process.”

“The COVID-19 pandemic has had a significant impact on the process of making financial audit more digital. The growth of our D&A work has been accelerated. Our cloud-based systems allow us to obtain data and process larger data sets more efficiently. New IT systems, automated ways of working and cloud-based systems introduced by the bodies we audit bring additional risks to the audit and increased demand for auditors with ‘digital’ skillsets in IT audit, data and analytics. We are addressing this through increasing capacity and capability in these areas combined with leveraging hybrid ways of working and knowledge sharing.”



Case study

Improving our ways of collaborating

In the past year, we have started work to restructure how we collect, organise and share knowledge within the NAO with the aim of making the discovery and sharing of knowledge and insights as easy as possible. Greater use of remote working has also meant we needed to use collaboration tools better. Matt Walsh, our head of knowledge and information management, explains the work we have undertaken this year to improve collaboration, in turn aligning with our new ways of working.

“A key ingredient in any knowledge management programme of work is helping users to find their own solutions. In the past year we have helped the organisation get more out of our collaboration tools, such as Microsoft Teams, by building some simple toolkits on how to use the platform.”

“When a new tool or technology is deployed, we can be tempted to roll out what we call classroom-style learning – having lots of people in a room, teaching one point at a time. While there is a place for this, with collaboration tools, there are so many different activities and functions there may not always be time to teach them all. And people may not remember the detail when required.”

“Our knowledge team have been working to raise the awareness of our tools and helping to support our colleagues to use them in their everyday work, as part of our new ways of working. We have helped by creating toolkits so that colleagues can find out how to use the system, when it best suits them, with the toolkit always available when needed. We are also adding new resources and tools to the toolkit on a regular basis, so our support adjusts to the changing needs of the NAO.”

Using innovative approaches to audit departments' models

Part of our financial audit work involves scrutinising the models that underpin significant estimates in departments' accounts. Government models are used for activities such as estimating costs, distributing funding within organisations and testing policy options. It is important that people who depend on outputs from models can feel confident in the quality and robustness of them. Our expert Modelling Team looks for innovative ways to scrutinise models, and to support departments in improving the way they produce and use them.

Building an independent copy or reproduction of a model is one of the most comprehensive ways of quality-assuring a model. We applied this 'gold standard' approach to one of the most technically complex and inherently uncertain models that we audit – HM Revenue & Customs' Oil and Gas Decommissioning model. This fully working model reproduction has transformed the way we audit the estimate and has enhanced the quality and efficiency of our work: quality assurance checks are automated – including advanced sensitivity analysis – and are quicker to produce, freeing up our analysts to focus on creating greater insights.

Audit Transformation Programme

The future of audit is changing, with the role of technology and data analytics becoming ever more important across the profession. The Audit Transformation Programme (ATP) is our programme to deliver modern financial audit (**Figure 10**). Our programme will ensure our audits continue to support effective accountability and quality financial reporting and financial management.

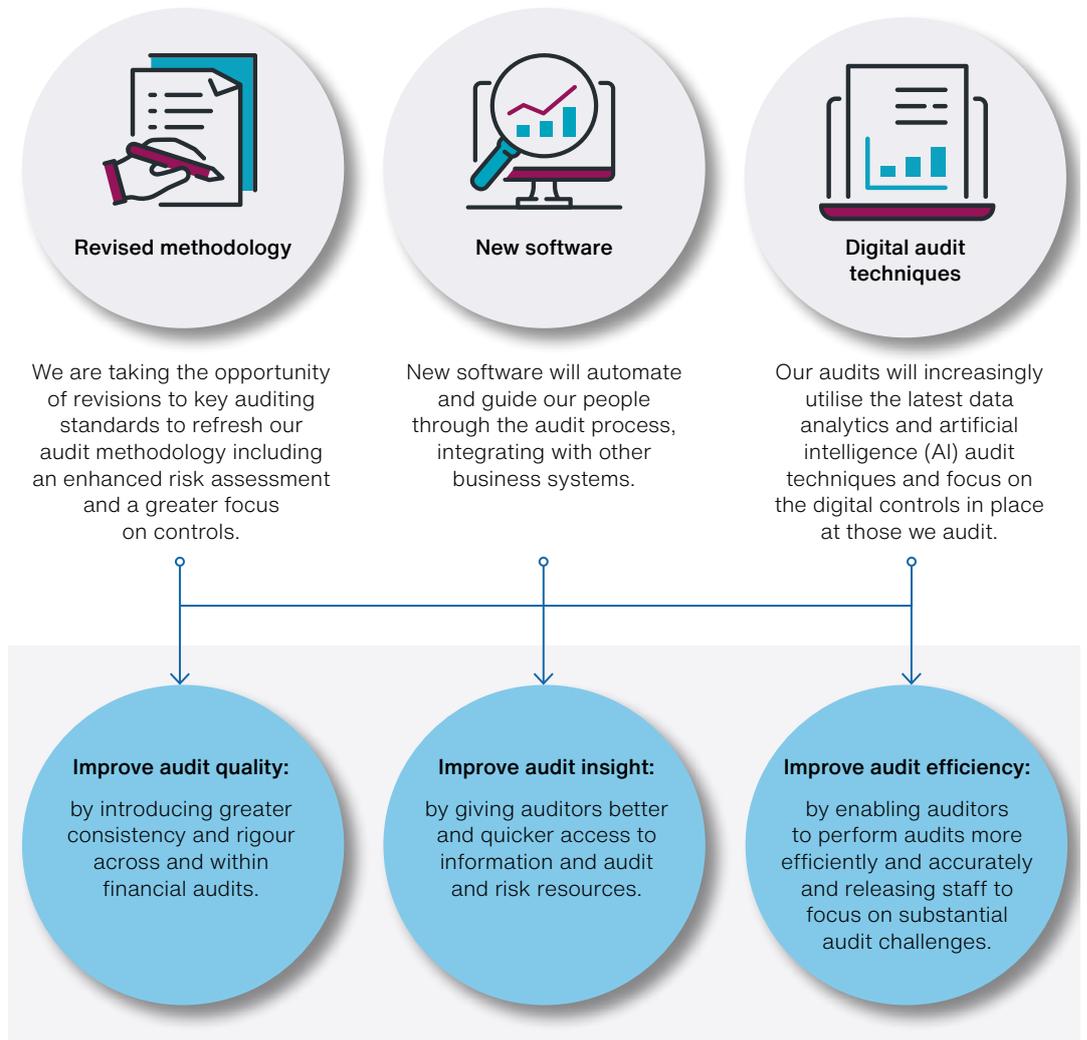
We are taking an incremental approach with ATP, carrying out a phased delivery over several years. Over time, our ATP will introduce revised methodologies driven by the introduction of new auditing standards and new software to improve the quality and efficiency of our financial audits through higher levels of standardisation and automation. We will also make increasing use of data analytics to help assess and inform our response to audit risk.

Over the past year we have refreshed our audit methodology to become more risk-focused, data-driven and analytically sophisticated, including new planning and evaluation tools, and are piloting a new risk assessment tool. We have appointed a strategic partner to help us further develop new audit software incorporating workflow, automation and analytics. In 2022-23, we will be piloting the new methodology and expect full implementation in 2023-24.

Figure 10

Our Audit Transformation Programme (ATP)

We are making a once in a generation investment in our audit methodology and the technology we will use to deliver this. We are taking an incremental approach which over the coming years will transform our audit service, improving quality, insight and efficiency



Source: National Audit Office

This is the biggest change most of our auditors will have experienced in their careers, better supporting them to consistently deliver quality audits using the latest techniques and technologies

Susan Ronaldson,
Director, Change and Audit Transformation

NEXT PAGE:
Data-led insights

Data-led insights

We have improved our data analysis approaches including the application of new data and spatial analysis techniques. This work is helping us to create and communicate new insights that cannot be achieved in other ways, and in 2022-23 we expect to apply more advanced data analysis approaches in a range of studies. We include a number of examples of these below.

Case study

A financial overview of the rail system in England

We produced this [overview](#) to enhance financial transparency of the rail system in England. The overview sets out how much it costs to run the rail system in England, how it is paid for, and the challenges and opportunities facing government as it reforms the system.³⁴

Case study

The local government finance system in England: overview and challenges

This [overview](#) looks at what local government in England spends, how this spending is funded and the effect of changes in recent years, drawing on relevant findings from our past work. The overview aims to enhance financial transparency about local government in England.³⁵

Case study

NHS backlogs and waiting times in England

This [report](#) looks in detail at backlogs and waiting times for elective and cancer care in the NHS in England. It explains how the current increased backlogs and waiting times have arisen, including the impact of the COVID-19 pandemic.³⁶

Case study

Understanding storm overflows: Exploratory analysis of Environment Agency data

This [document](#) provides contextual data to support the Environmental Audit Committee's inquiry into water quality in rivers. It presents insights we have drawn from exploratory analysis of data used by the Environment Agency as part of its regulation of storm overflows.³⁷

³⁴ Comptroller and Auditor General, *A financial overview of the rail system in England*, Session 2019–2021, HC 1373, National Audit Office, April 2021. Available at: www.nao.org.uk/report/a-financial-overview-of-the-rail-system-in-england/

³⁵ Comptroller and Auditor General, *The local government finance system in England: overview and challenges*, Session 2021–22, HC 858, National Audit Office, November 2021. Available at: www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/

³⁶ Comptroller and Auditor General, *NHS backlogs and waiting times in England*, Session 2021–22, HC 859, National Audit Office, December 2021. Available at: www.nao.org.uk/report/nhs-backlogs-and-waiting-times-in-england/

³⁷ National Audit Office, *Understanding storm overflows: Exploratory analysis of Environment Agency data*, September 2021. Available at: www.nao.org.uk/report/understanding-storm-overflows-exploratory-analysis-of-environment-agency-data/

Case study

Interactive map of the criminal justice system

The criminal justice system in England and Wales contains a number of distinct bodies and organisations that need to work together in partnership to deliver justice and improve outcomes for offenders, victims and the public. These bodies all divide up their national operations into regional and/or local units. Our [interactive map](#) helps display the network of geographies covered by bodies in the criminal justice system, such as the police, courts and probation services. Mapping the spatial relationships between these organisations helps us answer deeper questions about the coordination and delivery of these services.³⁸

Wider impact

Sharing our data analytics tools**What we did**

Over 2021, the NAO's Analysis Hub discussed the technical design of a number of our bespoke data analytics applications with the Government Internal Audit Agency (GIAA). We also shared the code behind our back catalogue search tool with the Agency and supported it in implementing a very similar approach for searching and analysing previous GIAA audit reports.

Impact and outcome

The GIAA stated that our support was “a very significant accelerator” to the development of its own application – the GIAA Insights Engine – and enabled the creation of a new range of cross-government insight outputs from the Agency. The GIAA remarked that the application had already “reduced a 20-day cross-government analysis activity of annual audit reports to a four-day activity with a greater breadth of insights and evidence to support the findings.”

³⁸ Available at: www.nao.org.uk/other/interactive-map-of-the-criminal-justice-system/

An exemplar organisation

This section provides an overview of progress we have made on our strategic enabler to be an exemplar organisation.

What this section contains

Financial performance

Our environmental impact

Ended the year within budget for audit and assurance work with a

2.5%

variance

Met efficiency aims with

83%

of our resources used on assurance work, above our target of 80%

Made good progress against our environmental commitments and reduced our emissions from electricity and gas to 712 tonnes, compared with 770 tonnes in the prior year

Financial performance

We aim to be an exemplar organisation and demonstrate high standards of financial management.

Parliament authorises separate resource, capital and cash budgets, which form totals within which the NAO must manage. Our overall financial performance against our budget is set out in **Figure 11**.

Figure 11

Our financial performance, 2021-22

	Budget	Outturn	Variance	Variance
	£m	£m	£m	%
Total spend on audit and assurance work	104.0	103.6	-0.4	-0.4
Less: income	23.8	25.4	1.6	6.3
Net spend on audit and assurance work	80.2	78.2	2.0	-2.5
Capital expenditure	2.3	1.9	-0.4	-21.1

Notes

- 1 These figures exclude non-voted expenditure items, such as the Comptroller and Auditor General's and Chair's salaries, which are paid directly by Parliament and are outside the control of the National Audit Office.
- 2 Figures have been rounded.

Source: National Audit Office

Audit and assurance work

Our audit and assurance work consists of our financial audits, VFM studies, responsive work, international work and direct support to Parliament.

Around 70% of expenditure is on staff salaries and related costs and we spent around £73.5 million on staffing during the year. This is broadly in line with our budget of £74 million. These costs include our permanent staff as well as our use of temporary staff where these are required. While our permanent staff numbers were 911 against a planned headcount of 940, we made up for this shortfall by the use of temporary staff to supplement our work during peak periods. Including these, staffing numbers for the year were the equivalent of 939 full-time employees.

Around 12% of our cost base consists of professional services we buy. This is mostly made up of the use of other audit offices and firms to provide us with additional capacity to carry out our audit engagements and access to specialist expertise on complex audit areas. It also includes consultancy support to our corporate teams and change projects. We spent some £15 million compared with a budget of £14.3 million.

The costs of audit are increasing across the industry as firms respond to changes in the audit sector. This includes: new audit standards, particularly the introduction of more robust and in-depth risk assessment at the planning stages and better tailored audit testing; greater stakeholder and regulator expectations over quality requiring enhanced audit procedures and demonstration of professional scepticism over complex accounting judgements included in financial statements; and the increasing use of technology. This increases the nature and extent of audit procedures, with an associated increase in audit cost.

The remaining costs include travel to audit locations, training and development of our people, provision of IT equipment and support, and the costs of running office locations in London and Newcastle. These have remained broadly in line with budget.

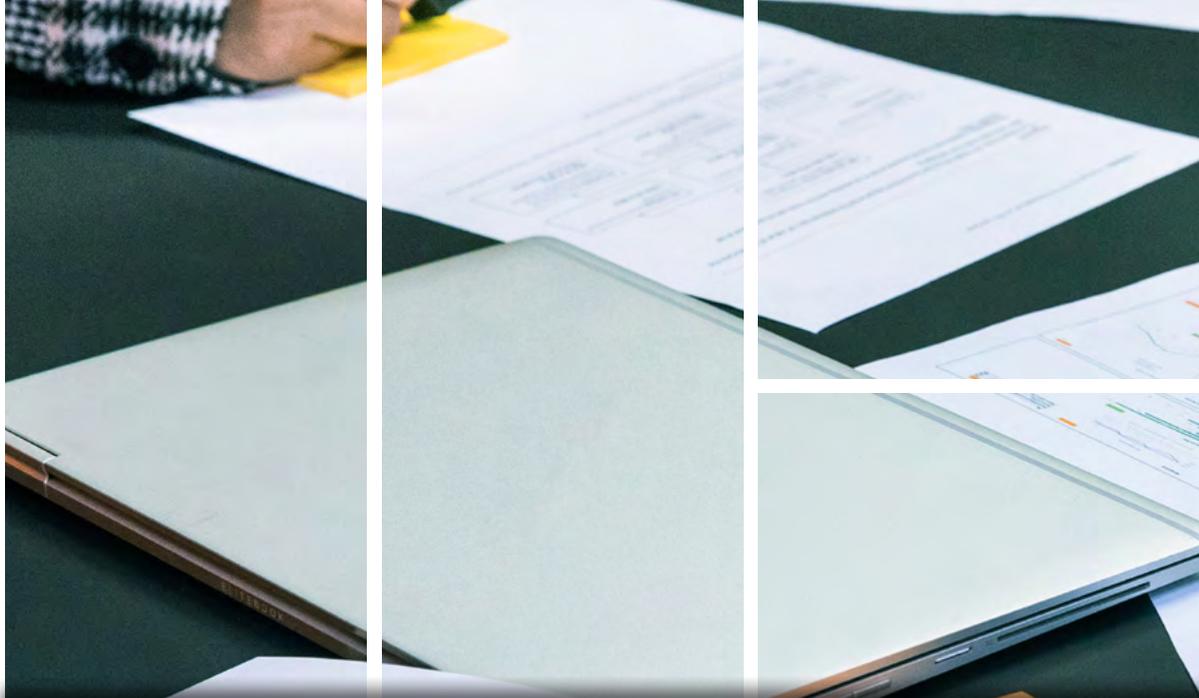
Income

Parliament directly funds around 80% of audit and assurance work, including the financial audits of major government departments and our VFM work. However, 20% of our work is funded from income earned.

We charge an audit fee directly for the financial audit of those bodies or public companies who operate at an arm's-length to government. We also earn revenue from the rental of surplus office space, from providing services to overseas bodies and from seconding our people to other organisations.

Our audit fees are set to cover the full costs of our audit and assurance work, with the principles laid out in a scheme of fees approved by Parliament. This scheme requires that we cover the full cost attributable for the service. The NAO therefore neither profits at the expense of the consumer of its services nor makes a loss for taxpayers to subsidise. Individual audit fees are calculated based on an estimate of the time and level of skill required to complete each audit to ensure that the work is compliant with International Standards on Auditing (UK).

We earned £25.4 million against a budget of £23.8 million, a variance of 6.3%. The volume of work is dependent upon the audit risks we identify in our planning processes and the scale and scope of the audit work we then do to address those risks. Auditing the government's response to the COVID-19 pandemic continues to introduce new risks and complexity into our work. Where the volume of our audit work increases for those bodies who pay their fees directly to the NAO, the fee is adjusted to take account of this. This has resulted in higher income than planned.



Capital expenditure

Each year we require a capital budget to purchase assets whose use extends beyond one year. Our capital budgets are based on detailed capital asset plans and cover a range of projects, from the standard replacement cycle of assets to building enhancements. These budgets cover the purchase of IT assets such as laptops, and software where we purchase it or build ourselves.

We budgeted for £2.3 million of capital expenditure, and we spent £1.9 million, which is a variance of 21.1%. Our plans included refurbishment work in our offices which we have deferred so we can better understand how our office space supports our ways of working.

Assets and liabilities

The assets and liabilities of the NAO are set out in the Statement of Financial Position in the Financial Statements and include property, amounts due to the NAO in respect of audit fees and amounts due to employees and suppliers. This Statement shows that the net assets of the NAO have increased by £1.5 million from £90.2 million as at 31 March 2021 to £91.7 million as at 31 March 2022.

A main change is in relation to our property in London, which is held on a very long lease and accounted for as though we own it. We draw on the expertise of a professional valuer to arrive at our estimate of the most up to date valuation of our building. The value of the property was assessed as being worth £89 million at the end of March 2022 compared with £88 million in the prior year, with the increase in value being due to rising prices of similar buildings in the London property market. Other movements are related to the timing of payments from audit bodies and to suppliers at the year end.

Effective use of resources

We are cost-effective and use the resources which Parliament provides us responsibly.



A key measure is the percentage of expenditure attributed to our assurance work compared with expenditure on our business support services and we aim to make sure that at least 80% of the NAO's resources are used on assurance work. We achieved this aim with a percentage outturn for the year of 83%.

We continue to focus on improvements in the way we work. This includes recently having:

- developed better reports and dashboards to ensure that staff use their time productively and spend between 75% and 90% of their time on chargeable work, depending on grade;
- set up budget challenge meetings with the C&AG on all of our major audits and tightly monitoring expenditure against them throughout the year;
- embedded the use of technology within our working practices to optimise the travel to audit bodies, reducing our travel costs from pre-pandemic levels; and
- made available around 50% of useable office space in our London building for letting to third parties, rental income which reduces the cost of the NAO to Parliament.

We also seek external assurance over aspects of our operations. Every year, the NAO Board commissions our external auditors to undertake a VFM study on an area of our organisation to establish if resources have been used economically, efficiently and effectively. In 2021-22, the external auditors assessed whether we were implementing our new strategy in line with VFM principles. The report concluded that we were. The report did identify opportunities for improvement and made recommendations, which we have agreed with. Next year, the external auditors will look at our human resources department.

And there is a significant return on investment on the funds that Parliament provides the NAO. As we set out throughout this Annual Report, our work for Parliament has a positive financial impact through reduced costs, improved service delivery and other benefits to citizens. This impact is much greater than we cost Parliament.

Resources for future years

The Public Accounts Commission approved our budget for the year ending 31 March 2023. This included a net resource requirement of £83.5 million, after allowing £25.9 million of income. It also allows for a £5.3 million capital budget and a £85.6 million net cash requirement.

Our budgets for next year provide us with the resources to carry out the full range of our statutory assurance work for Parliament and include specific provision for:

- the prolonged effect of the COVID-19 pandemic, which means that we need to retain additional staffing numbers which were agreed for 2021-22, for at least a further year;
- in line with the wider audit sector, we will spend more to draw on specialist expertise outside the NAO to support technical and complex audit judgements and meet the requirement of new audit standards; and
- supporting high-quality, modern audit by investing in an Audit Transformation Programme (ATP). This includes an enhanced audit software solution which we will design and build. This will give rise to an asset which will bring benefits over a 12-year period and has meant greater upfront capital investment.

Figure 12 provides further information on how our resources have changed over the previous five financial years and plans for the following two years.

The growth in our budget over this period reflects our additional responsibilities, such as auditing significant new bodies (for example the BBC), work on the UK's departure from the EU and auditing the government's response to the COVID-19 pandemic. It also includes £4 million annual investment agreed as part of our new strategy, covering audit transformation, greater expertise in VFM and improvement in our knowledge management processes. Our forward plans also include our intention to look at emerging public spending challenges, such as capital projects to upgrade national infrastructure, the transition to a Net Zero economy and outcomes associated with the levelling-up agenda.

Figure 12

Our resources from 2017-18 to 2024-25

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Outturn (£m)	Outturn (£m)	Outturn (£m)	Outturn (£m)	Outturn (£m)	Estimate (£m)	Proposed (£m)	Proposed (£m)
Audit and assurance work	83.9	86.7	91.3	98.5	103.6	109.4	110.0	109.6
Less: income	19.1	21.0	23.0	24.6	25.4	25.9	26.9	25.2
Net resources	64.8	65.7	68.3	73.9	78.2	83.5	83.1	84.4
Capital expenditure	0.8	1.3	1.0	1.1	1.9	5.3	4.4	3.2

Note

1 This table ties directly to the Statement of Outturn against Parliamentary Supply.

Source: National Audit Office

Our environmental impact

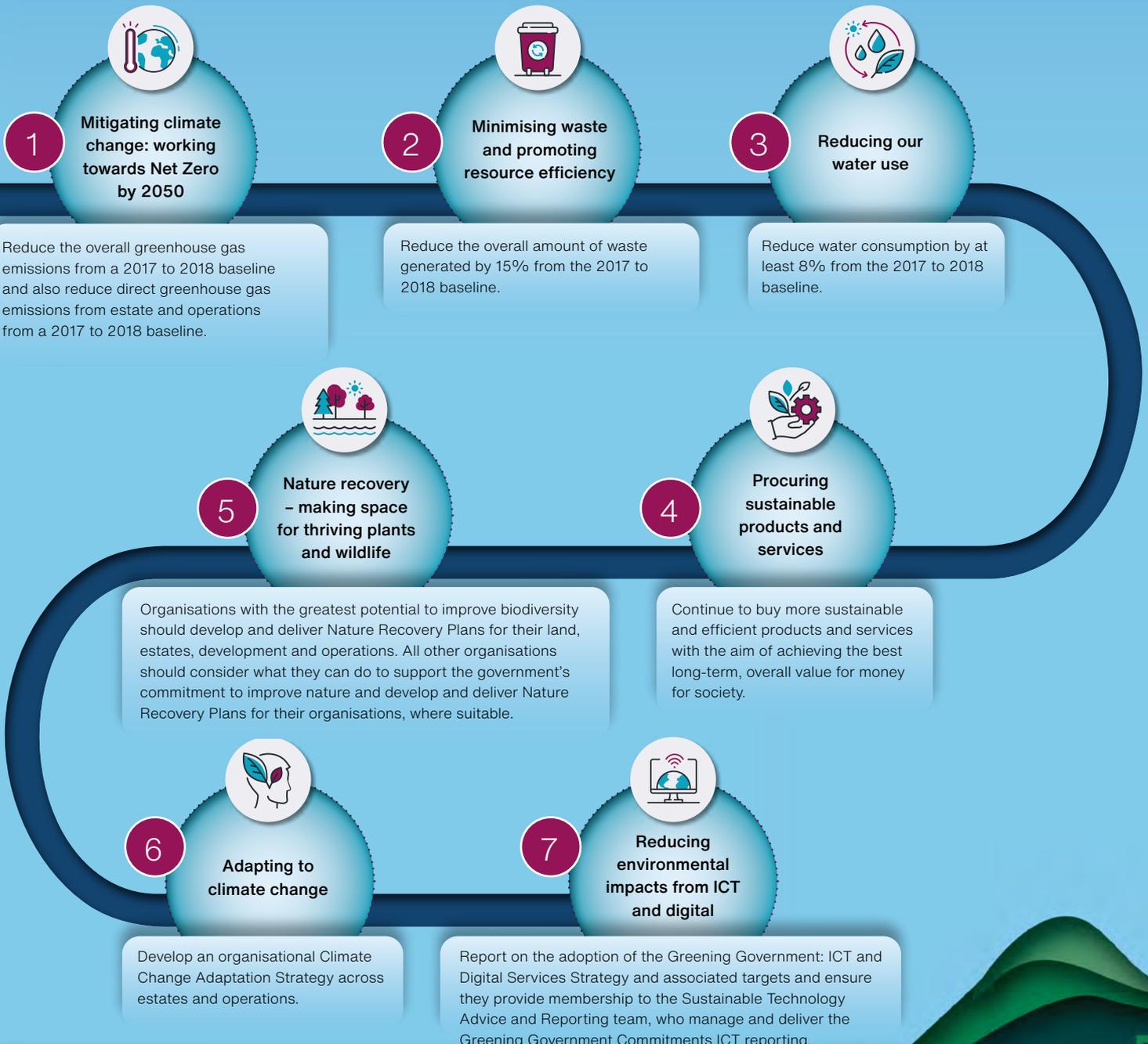
Our performance against the Greening Government Commitments in 2021-22

In line with our strategic enabler to be an exemplar organisation, we are a sustainable organisation and aim to achieve Net Zero emissions by 2029. Our aims are driven by the Sustainable Office Group and the Net Zero Carbon Project, which report to the NAO's Executive Team and Board.

We manage our organisation in the most environmentally responsible manner and comply with environmental legislation. We assess the impact on the environment of our activities and use an ISO 14001:2015 certified environmental management system to provide a framework for setting and reviewing targets to support continuous improvement.

We have adopted the Greening Government Commitments, which have challenging sustainability targets. During the year, the COVID-19 pandemic impacted on our operations, including through the reduced use of our offices and travel to audit locations during periods when restrictions were in place.

This will have impact on our results as set out in Figure 12 in a way which may not recur in future years. Notwithstanding this, our progress for 2021-22 is shown below. We are pleased to report that we have reduced our carbon emissions from electricity and gas to 712 tonnes, compared with 770 tonnes in 2020-21. Our full sustainability data are included in the annex to this report.



Note

- 1 New Greening Government Commitments were launched in October 2021, superseding the previous framework for 2016 to 2020. Targets were changed and therefore we cannot consistently illustrate progress in comparison to the previous year's performance.

1

Scope 1 and 2 greenhouse gas emissions (from the NAO's estate) have reduced by 41%. Scope 3 greenhouse gas emissions (from operations) have been identified and data collection is being completed

1a

Meet the Government Fleet Commitment for 25% of the government car fleet to be ultra-low emission vehicles (ULEV) by 31 December 2022, and for 100% of the government car and van fleet to be fully zero emissions at the tailpipe by 31 December 2027.

Progress in 2021-22: Not applicable – we do not have a fleet.

1b

Reduce the emissions from domestic business flights by at least 30% from a 2017 to 2018 baseline, and report the distance travelled by international business flights, with a view to better understanding and reducing related emissions where possible.

Progress in 2021-22: Achieved – 94% reduction. 38,866 miles travelled in international business flights. A 97% decrease since 2017-18.

1c

Update organisational travel policies so that they require lower carbon options to be considered first as an alternative to each planned flight.

Progress in 2021-22: The travel policy will be reviewed to support this aim in 2022-23.

1d

Departments that already have policies in place to compensate for emissions are encouraged to report on their implementation.

Progress in 2021-22: Not applicable – we do not compensate for carbon emissions.

2

Reduce the overall amount of waste generated by 15% from the 2017 to 2018 baseline

Achieved: 54% reduction

2a

Reduce the amount of waste going to landfill to less than 5% of overall waste.

Progress in 2021-22: Achieved – 0% to landfill.

2b

Increase the proportion of waste which is recycled to at least 70% of overall waste.

Progress in 2021-22: Achieved – 89% recycled.

2c

Remove consumer single-use plastic (CSUP) from the central government office estate.

Progress in 2021-22: The use of single-use plastic will be reviewed in 2022-23.

2d

Measure and report on food waste by 2022.

Progress in 2021-22: Achieved – 13.93 tonnes of food waste. A 64% decrease since 2017-18.

2e

Reduce paper use by at least 50%.

Progress in 2021-22: Achieved – 87% reduction.

2f

Report on the introduction and implementation of waste reuse schemes.

Progress in 2021-22: Our waste is sorted on-site and taken to be recycled. This covers cans, glass, plastics, batteries, light bulbs, paper, card and food. Any items placed into 'general waste' bins are put through a sorting process to extract anything which can be recycled. The remaining waste is then sent to a combined heat and power plant where it is burned to produce heat and electricity for the National Grid.

3

Reduce water consumption by at least 8% from the 2017 to 2018 baseline

Achieved: 63% reduction

3a

Ensure all water consumption is measured.

Progress in 2021-22: Achieved.

3b

Provide a qualitative assessment to show what is being done to encourage the efficient use of water.

Progress in 2021-22: We have incorporated a number of water saving initiatives including leak detection systems, dual flushing buttons and rainwater harvesting utilised in lavatories and urinals.

4

Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society

We seek to reduce waste in all its forms through our procurement practices. This includes assessing our contractors' environmental credentials and ensuring that goods supplied come from sustainable sources and that unnecessary packaging is kept to a minimum. A lot of our procurement is through government frameworks such as Crown Commercial Service, Eastern Shires Purchasing Organisation and many others. All suppliers on these frameworks meet rigorous selection criteria which includes sustainability checks. On strategic contracts, the NAO apportions 10% weighting on social value questions to reinforce its importance to bidders. If a suitable framework is not available, we run a competitive tender via Contracts Finder or the Official Journal of the European Union (OJEU) where all our suppliers are tested to ensure they adhere to current sustainable procurement legislation in line with guidance from the Cabinet Office.

5

We have a small, landscaped area at our London office to enhance the local ecology, increase native species within the local area, improve the appearance of our surroundings and provide a pleasant space for colleagues to spend time. We have a biodiversity management plan in place to maintain and improve its ecological value

6

Develop an organisational Climate Change Adaptation Strategy across estates and operations

Progress in 2021-22: We have completed an initial assessment of climate-related risks. This risk assessment will be reviewed in 2022-23

6a

Accountability – establish clear lines of accountability for climate adaptation in estates and operations and engage in wider governance and risk structures when appropriate.

Progress in 2021-22: The Net Zero Carbon Project reports to the Executive Team and the Board.

Transparent Reporting – provide a summary of how we are developing and implementing a climate change Adaptation Strategy.

Progress in 2021-22: The risk assessment will be used to develop an Adaptation Strategy in 2022-23.

7

The adoption of the Greening Government: ICT and Digital Services Strategy will be reviewed in 2022-23

In 2020, we agreed to be a Net Zero carbon organisation and have set ourselves the target of achieving this by 2029. Net Zero carbon is achieved by cutting greenhouse gas emissions to as little as possible and then balancing the remainder by enhancing carbon sinks, which remove carbon dioxide from the atmosphere. This means that there are two elements to Net Zero: a reductions route and a removals route.



- 1 Remove our reliance upon gas to heat our buildings and water
- 2 Purchase all our electricity from renewable resources
- 3 Reduce our business travel carbon
- 4 Reduce our carbon from waste
- 5 Reduce carbon created by our suppliers on our behalf
- 6 Carbon capture
- 7 Reduce our working from home carbon
- 8 Reduce our commuting carbon
- 9 Continuous improvement

What we have done

2021-22 progress

In the past year, we have:

- embedded carbon reduction and sustainability aims throughout the organisation;
- identified areas of carbon we create through our estate and operations;
- focused upon measuring our carbon baseline through data collection and the development of tools; and
- engaged externally and internally with stakeholders and interested parties.

What we will do next

2022-23

In 2022-23 we will focus upon the creation of a Carbon Reduction Action Plan to meet our Net Zero carbon ambitions. This will include:

- amendments to our travel policy;
- a new waste policy which will address the removal of single-use plastic;
- considering how to apply the Greening Government Commitments on ICT and digital services;
- amendments to our procurement policy and review of our supply chain carbon; and
- striving to reduce carbon from our estate.

Case study

Communicating Net Zero to our people

In 2020, we agreed to be a Net Zero carbon organisation and have set ourselves a target of achieving this by 2029. Claire Blackburn, our Net Zero project manager, takes us through some of the actions taken internally to engage our people on Net Zero.

"I knew right from the start that getting the NAO to Net Zero carbon emissions by 2029 was a big task. There was so much we needed to learn and do.

"In any project, communication is vital and getting buy-in and engagement from our people was, and remains, crucial. Working with our Internal Communications team, we have designed an approach to raise awareness of the Net Zero project, embed understanding of the NAO's commitment to sustainability and encourage engagement from colleagues.

"The communications are set out to inform, involve and inspire colleagues. We did not want them to feel like this was 'being done to them'. We wanted them to learn and come along on the journey with us.

"Using our own insights, we developed a range of communications, from 'Net Zero stories' to 'Top tips' published on our project page, blogs and panel discussions. I have also been conscious of the content we publish – being aware of external factors and to ensure we are not instructing people what to do or how to change; but instead signposting and knowledge-sharing.

"We have received some wonderful feedback and a number of colleagues wanting to get involved in the project itself – a great sign our approach is raising awareness and engaging our people."

Gareth Davies
Comptroller & Auditor General

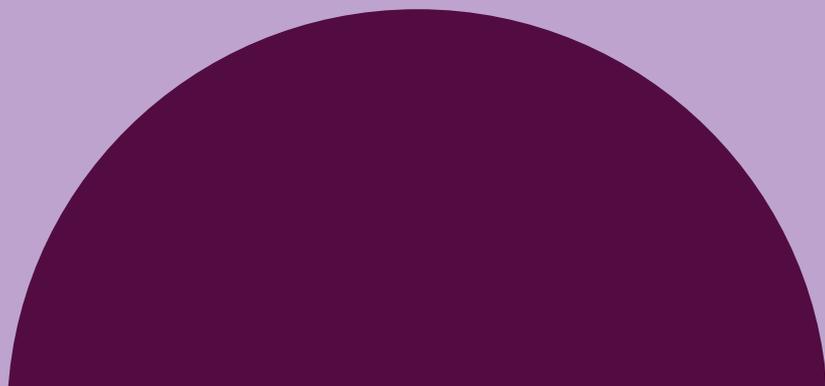
21 June 2022

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Corporate Governance Report

This section explains the governance structures at the National Audit Office (NAO) and how they support the achievement of our objectives.

DIRECTORS' REPORT

The directors of the NAO are the Executive Team and the non-executive Board members, whose details are set out below.

Register of interests

The Executive Team and Board members must complete a declaration of interests. There were no declarations of significant company directorships or other interests that may have conflicted with their management responsibilities. No member of the Executive Team or Board had any other related-party interests.

Pension liabilities

Most past and present NAO employees are covered by the provisions of the Principal Civil Service Pension Scheme, a defined benefit scheme. Employees may opt to join a personal stakeholder pension scheme instead, providing the scheme meets the minimum criteria set by government. Further information on pension liabilities is set out in the Remuneration and staff report, and in notes 1.5 and 1.6 of the financial statements.

Personal data incidents

No protected personal data-related incidents were reportable to the Information Commissioner's Office in 2021-22. Unlike government departments, the NAO is not required to report significant incidents relating to personal data to the Cabinet Office. If it were required to do so, there would be no incidents to report.

Auditor of the NAO

The Public Accounts Commission appointed Crowe U.K. LLP as our external auditor. It undertakes a value-for-money (VFM) study of the NAO annually, provides assurance over the Statement of NAO's Financial Impact and advises on various matters as required. Full details of remuneration for both audit and non-audit work are disclosed in note 4 of the financial statements.

Other disclosures

Some disclosures required within the directors' report have been included elsewhere in the Annual Report. Disclosures on employment and training and people engagement are in the 'Our people' section, which begins on page 64. Additional information is included in the Remuneration and staff report on page 130. Future developments affecting our business are disclosed in the performance report under 'Financial performance' on page 88.

Sanctions relating to Ukraine

We have implemented a range of measures in response to sanctions-related obligations arising from the war in Ukraine to ensure our compliance. We completed an assessment of NAO suppliers, partner audit firms and tenants in our Buckingham Palace Road building. We have engaged with the international community of Supreme Audit Institutions – ceasing operational contact with the Accounts Chamber of the Russian Federation while offering support and assistance to the Accounting Chamber of Ukraine. Please see the statement on our website.

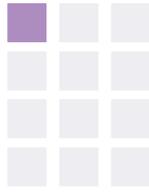
We have issued guidance to all staff alerting them to heightened risks and reporting requirements should they identify potential or actual sanctions breaches; provided audit teams with specific guidance on audit implications, informed by relevant examples drawn from the bodies we audit; and have reminded all staff of increased phishing and other cyber security risks and the need to report any suspicious incidents.

We developed a high-level guide to help client Audit and Risk Assurance Committees consider risks arising from the conflict. We have communicated key messages to partner firms conducting contracted-out audits on the Comptroller and Auditor General's (C&AG's) behalf, and also to auditors of local public bodies where, as owner of the Code of Audit Practice, we issued a Special Auditor Communication.

The NAO Board and Executive Team



NEXT PAGE:
The NAO Board and
Executive Team



1

Dame Fiona Reynolds**| Non-executive director | Chair of NAO Board**

Appointed: 10 January 2021

Dame Fiona Reynolds has had a long career in the voluntary and public sectors, including as director-general of the National Trust from 2001 to 2012. Before joining the National Trust, she was director of the Women's Unit in the Cabinet Office from 1998 to 2000, director of the Council for the Protection of Rural England (now Campaign to Protect Rural England) from 1987 to 1998 and Secretary to the Council for National Parks (now Campaign to Protect National Parks) from 1980 to 1987. She is also an Honorary Fellow of the British Academy. Between 2012 and 2021, she was Master of Emmanuel College, Cambridge.

Dame Fiona holds a number of non-executive roles. She is chair of the Governing Council of the Royal Agricultural University, the International National Trusts Organisation, the Cathedrals Fabric Commission for England, Cambridge University's Botanic Garden and its Bennett Institute for Public Policy. She is a trustee of the Grosvenor Estate, the Green Alliance and the Food, Farming and Countryside Commission and a non-executive director of Wessex Water.



2

Gareth Davies**| Comptroller and Auditor General | NAO Board****| Executive Team**

Appointed: 1 June 2019

Before his appointment as C&AG, Gareth Davies was head of Public Services at Mazars, a global accountancy firm specialising in audit, tax and advisory services. Prior to this, he was managing director of the Audit Commission's Audit Practice. His experience spans financial and VFM audit, organisational leadership and Board governance. Gareth is a Fellow of the Chartered Institute of Public Finance and Accountancy and a member of the Institute of Chartered Accountants in England and Wales.



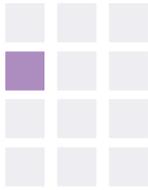
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Gaenor Bagley**| Non-executive director | Chair, Audit and Risk****Assurance Committee | NAO Board**

Appointed: 1 January 2021

Gaenor Bagley combines a chartered accountancy qualification with extensive and innovative HR experience within a professional services environment and very strong understanding of audit and finance, merger and acquisition (M&A) and corporate social responsibility. She has broad experience across the public and private sector. During her 30 years in professional services she has held a variety of leadership and board positions, including five years to 2016 on the PricewaterhouseCoopers (PwC) UK Board as head of people. She has also been a member of the UK Tax Leadership team at PwC.

Gaenor has chaired the Audit and Risk Assurance Committee since January 2022. She holds a number of non-executive appointments including chair of the Audit Committee and Remuneration Committee of Zopa Bank Ltd, non-executive director of Octopus Titan VCT, external council member and chair of Remuneration Committee of Cambridge University, chair of the Advisory Board of Leeds University, and chair of TKAT Multi-Academy Trust.



4

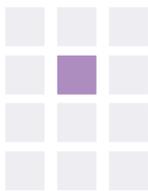
Sir Martin Donnelly**| Non-executive director | NAO Board**

Appointed: 1 January 2021

Sir Martin Donnelly has experience across a range of government departments and public bodies. He was a permanent secretary for seven years from 2010 to 2017, leading the Department of Business Innovation and Skills for six years, then setting up the Department for International Trade.

He has worked as a senior civil servant in HM Treasury, Cabinet Office, Foreign & Commonwealth Office and Home Office, and served as a non-executive director of GCHQ for five years.

Sir Martin is a trustee of several charities including RADA and the Oxford Centre for Islamic Studies, and continues to work to promote greater gender diversity in the workplace. He is currently president of Boeing Europe.



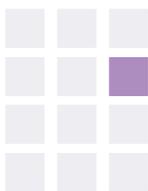
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Janet Eilbeck**| Non-executive director | NAO Board**

Appointed: 20 October 2016, reappointed for final three-year term in October 2019

Janet Eilbeck chaired the Audit and Risk Assurance Committee between October 2016 and December 2021. Janet is a chartered accountant with more than 40 years' experience. She was an assurance partner at PricewaterhouseCoopers (PwC) until 2011, specialising in government and the broader public sector, including wide experience of external and internal audit, financial accounting advice and risk management. Janet also has an expertise in pensions. She chaired PwC's two legacy staff pension schemes for nine years until December 2019 and following her retirement from the firm she became the first chair of the Internal Audit Standards Advisory Board (IASAB), and the independent financial expert for the Department for Education, until December 2016.

Janet has been a non-executive member of the West Kent Housing Association Board since June 2021 and is chair of its Audit and Risk Committee and its Remuneration and Appointments Committee.



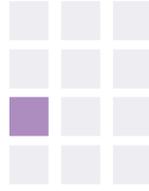
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Dame Clare Tickell**| Non-executive director | Senior independent director | Chair, Remuneration and Nominations Committee | NAO Board**

Appointed: 10 January 2018, reappointed for final three-year term in December 2020

Dame Clare Tickell has extensive experience at board level, having led a variety of organisations across the charitable and public housing sectors. She was appointed as independent director of the John Lewis Partnership in October 2019. Prior to this, she was chief executive officer of Hanover Housing Association until November 2018, having previously been chief executive of Action for Children.

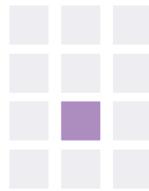
Dame Clare is on the Advisory Board of the Centre for Charity Effectiveness at Bayes Business School. Until February 2020 she was the chair of the Early Intervention Foundation. She was also a commissioner on the Royal Society of Arts (RSA) 2020 Commission into Public Services, chair of the Community and Voluntary Services Honours Committee from 2011 to 2018 and a former board member of The Guinness Partnership. Dame Clare is a Fellow of the RSA and from 1 April 2022, a trustee of the Nuffield Foundation.



7

Abdool Kara | Executive director | NAO Board | Executive Team

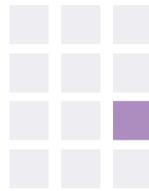
Abdool is responsible for the NAO's work with departments focused on local services, including local government, education and health. He also leads on our wider people agenda including culture and values, staff development and diversity and inclusion. Before joining the NAO in 2017, he had been chief executive of Swale Borough Council since 2009.



8

Daniel Lambauer | Executive director | NAO Board
| Executive Team

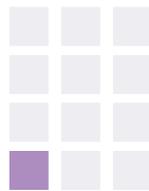
Daniel joined the NAO in 2009 as a performance measurement expert and helped to establish our local government VFM team. Before his appointment to the Executive Team, he led the development of the NAO's VFM workstream. Daniel is the executive director with responsibility for Strategy and Resources. He is also the NAO's chief information officer and senior information responsible owner (SIRO). Before joining the NAO, Daniel worked in a range of sectors, including academia, management consultancy and the civil service.



9

Elaine Lewis | Executive director | NAO Board | Executive Team

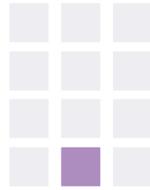
Elaine is responsible for the NAO's work with departments focused on home affairs, defence and overseas matters. She is also the Executive Team lead on audit quality. She has had experience across a range of portfolios throughout her NAO career, including defence, international and culture, media and sport.



10

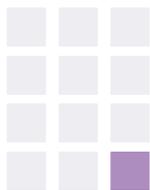
Kate Mathers | Executive director | Executive Team

Kate is responsible for the NAO's work with departments focused on culture, justice and welfare. She also provides leadership to our financial audit specialists. Kate joined the NAO in 2000. Kate is a chartered accountant with many years' experience auditing a wide range of public sector bodies. She held senior management positions in finance and operations while working on secondment at the Independent Parliamentary Standards Authority and sits on the Institute of Chartered Accountants in England and Wales' Council.



11 **Rebecca Sheeran** | Executive director | Executive Team

Rebecca is responsible for the NAO's work with departments focused on the UK's infrastructure as well as climate change and environment. She also provides leadership to the NAO's VFM and investigations specialists. Rebecca Sheeran has worked at the NAO since 2004. She is a chartered accountant with many years' experience in both financial and VFM audit of a range of public sector bodies.



12 **Max Tse** | Executive director | Executive Team

Max is responsible for the NAO's work with departments that sit at the centre of government. He also leads the NAO's work on making better use of our knowledge. Max joined the NAO in 2011. For five years, he led the NAO's VFM audit of the Department for Work & Pensions, and more recently has been responsible for the NAO's approach to digital transformation in government. Before joining the NAO, Max worked as a consultant with McKinsey & Co. He has worked in the UK and overseas in a range of sectors, including logistics, regulatory strategy, retail, climate finance and health.

Statement of Accounting Officer's responsibilities



Under the Budget Responsibility and National Audit Act 2011, the NAO is required to prepare, for each financial year, resource accounts detailing the resources it has acquired, held or disposed of during the year and the resources it has used during the year. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NAO and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing these resource accounts, I, as the Comptroller and Auditor General, adopted the Government Financial Reporting Manual (FReM) issued by HM Treasury, and have:

- observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the FReM, have been followed, and disclosed and explained any material departures in the resource accounts; and
- prepared the resource accounts on a going concern basis.

The Public Accounts Commission has appointed me, the C&AG, as Accounting Officer for the NAO. The responsibilities of an accounting officer are set out in *Managing Public Money* issued by HM Treasury. They include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the NAO's assets.

As the Accounting Officer, I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the NAO's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

As Accounting Officer, and working together with the NAO Board, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the NAO's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, under the responsibilities assigned by the Public Accounts Commission.

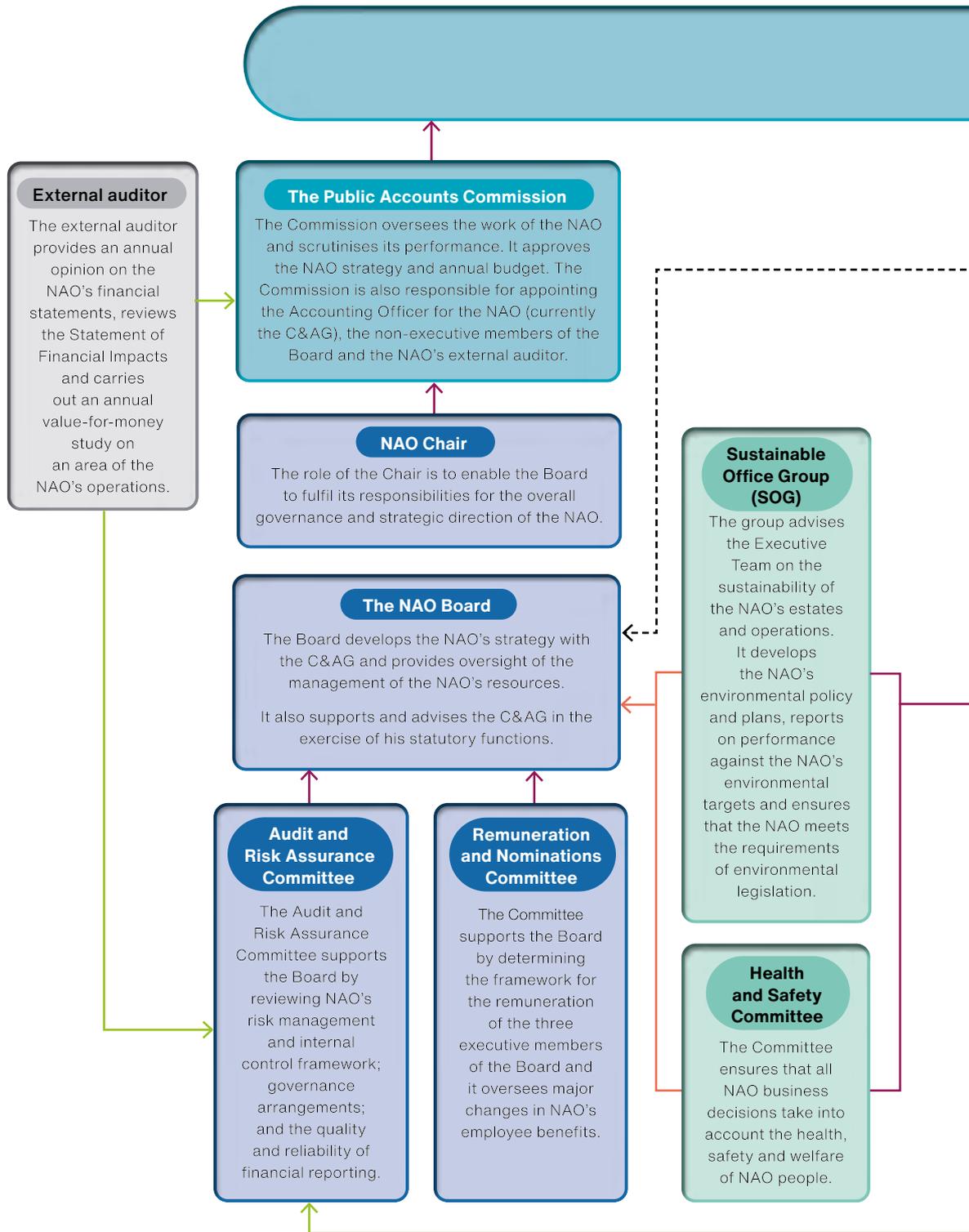
Budget Responsibility and National Audit Act 2011

The [Budget Responsibility and National Audit Act 2011](#) established the NAO as a body corporate on 1 April 2012.³⁹ Schedule 2, 24(1) of the Act requires the NAO to prepare resource accounts.

³⁹ Available at: www.legislation.gov.uk/ukpga/2011/4/enacted/data.pdf

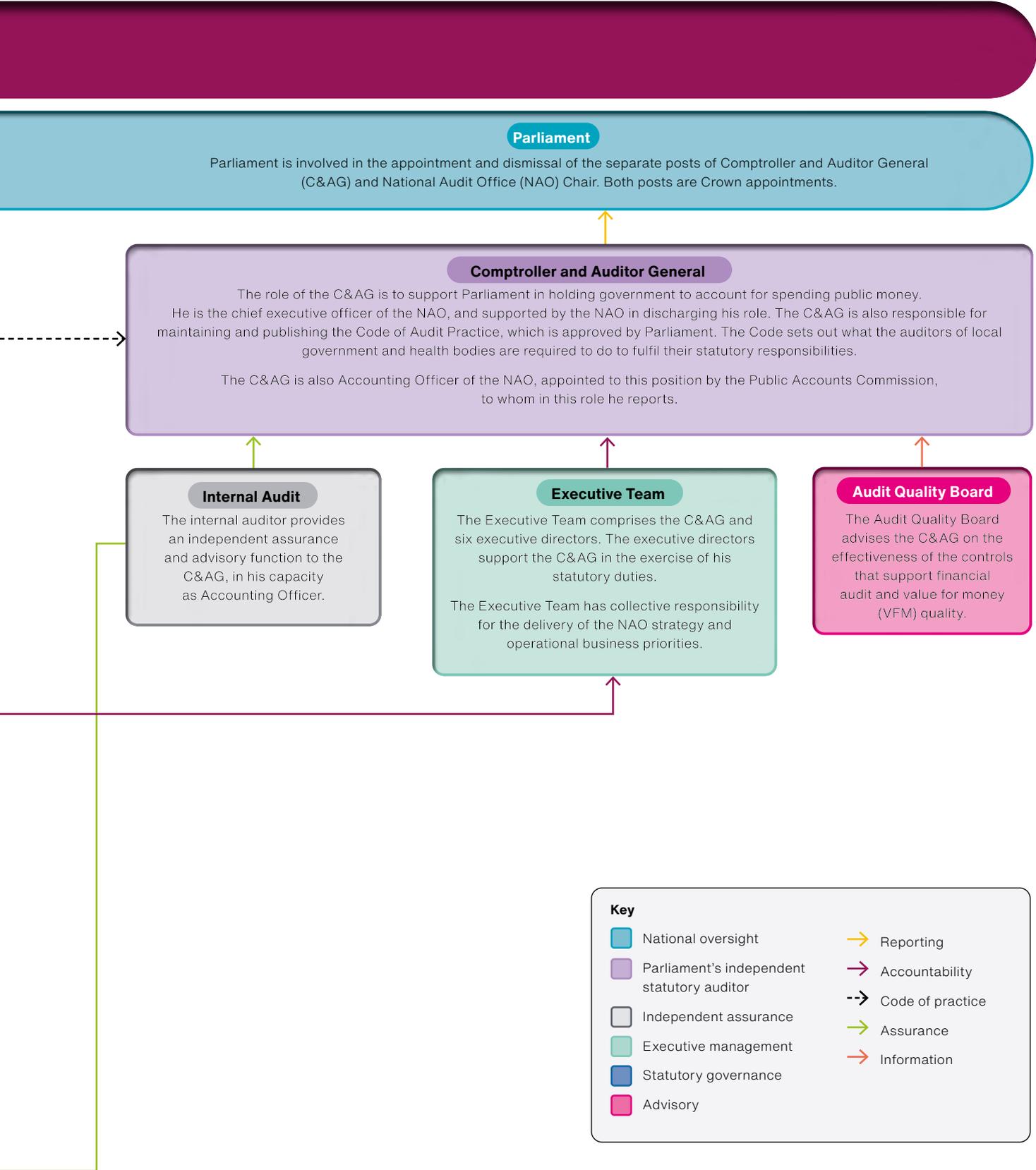
Figure 13

The NAO Governance Framework



Note

1 Graphic also shows the two Board sub-committees and two committees that support the Executive Team.



The NAO's governance

The NAO's governance arrangements are set out in the Budget Responsibility and National Audit Act 2011 (BRANAA). Four principles underpin our governance:

- respect and maintenance of the C&AG's independence;
- focus on the NAO's strategy and its delivery;
- support to and challenge of the Executive Team; and
- drawing on non-executive expertise.

In addition BRANAA requires that the Board agree a Code of Practice setting out in detail how the relationship between itself and the C&AG will work in practice. This Code must be approved by the Public Accounts Commission (TPAC), the body in Parliament to which the NAO is accountable.

Review and update of the Code of Practice

Following their respective appointments as chair and C&AG, Dame Fiona Reynolds and Gareth Davies undertook a review of the Code of Practice in 2021-22 to ensure that changes that have taken place over time in the NAO's operating environment remain compatible with the principles of the Code. The review has led to updates to the Code, which now:

- reflect how the NAO strategy is currently prepared, the period it covers, and how this fits with the annual update and estimate presented to TPAC;
- align the approval of NAO-approved services with current business practices;
- include the steps to take in respect of C&AG vacancy or incapacity; and
- set out guidance on how to resolve disagreement between the NAO and the C&AG.

The revised Code of Practice was approved by the Board, and separately TPAC, in February and March 2022. The revised [Code of Practice](#) can be found on our website.⁴⁰

⁴⁰ National Audit Office, *Code of Practice dealing with the relationship between the National Audit Office and the Comptroller and Auditor General*, March 2022, available at: www.nao.org.uk/report/relationship-between-nao-and-the-comptroller-and-auditor-general/

The Public Accounts Commission

As referred to above, the NAO is accountable to Parliament via TPAC, which appoints the non-executive members of the Board (except the Chair who is appointed by HM The Queen via letters patent), examines the NAO's annual budget (Estimate) and lays it before Parliament, considers the NAO's strategy, and appoints the NAO's external auditor. During the reporting year, TPAC's remit has expanded to cover the quality of our financial audit work. In November 2021, TPAC held a session examining the most recent internal and external quality inspection findings for the first time. During this session, it challenged the C&AG on the NAO's responses to these findings and our plans to ensure the quality of our work meets best professional standards. TPAC also examined our 2020-21 Annual Report and Accounts.

TPAC held a further meeting in March 2022 where it considered the NAO's annual strategy update and approved the 2022-23 Estimate. The Board concluded at its meeting in March 2022 that the frequency of meetings with TPAC during the year had led to a richer conversation with the body in Parliament that holds the NAO to account, informed by multiple data sources.

The NAO Board

The NAO Board (the Board) provides constructive challenge and support to the C&AG and the Executive Team and oversees how the NAO manages and uses resources. It shapes our strategic thinking and sets the tone from the top.

The Board has established the Audit and Risk Assurance Committee and the Remuneration and Nominations Committee to which it has delegated specific responsibilities such as the provision of assurance and advice on the integrity of the NAO's risk management and NAO's remuneration policy (see Figure 3 on pages 20 and 21).



As the chair, I have responsibility for the leadership and the effectiveness of the Board. The Board met eight times during the year, including a whole-day strategy session and an additional session to discuss the findings from the external Board evaluation. We shaped the agendas to focus on the main initiatives in the second year of the strategy and focused our time on responsiveness to the quality of our work, investment decisions to make better use of technology, data and knowledge, and staying committed to diversity and inclusion in everything we do. At each Board meeting we receive the C&AG's update on

recent internal and external developments. These updates, including supporting papers, provide the forum for rich conversations which subsequently inform our decision-making and advice, for example on feedback from MPs, the bodies we audit and NAO people.

This year we have:

- considered and approved the updated Code of Practice between the C&AG and the NAO;
- advised on the importance, for parliamentary accountability, of restoring the timetable for audit certification following the disruption caused by the COVID-19 pandemic;
- challenged the financial audit plan, including the Audit Transformation Programme, to ensure it meets our ambitious quality objectives; and
- considered the implications of the government's sanctions on Russia on the bodies we audit and our operations at the last Board of the financial year.

Planned activities for 2022-23 include implementing the actions from the Board's external evaluation and welcoming a new non-executive member.

We will also resume our annual visit to the office in Newcastle.

NAO Board at a glance¹

C&AG



Executive
member



Non-executive
member



Number of
meetings

8

Number of
Board
induction
sessions

13

Note

- ¹ The NAO Board terms of reference specify seven meetings per year. However, in 2021-22 the Board held an additional 'wash up' session to discuss the findings of the external Board evaluation.

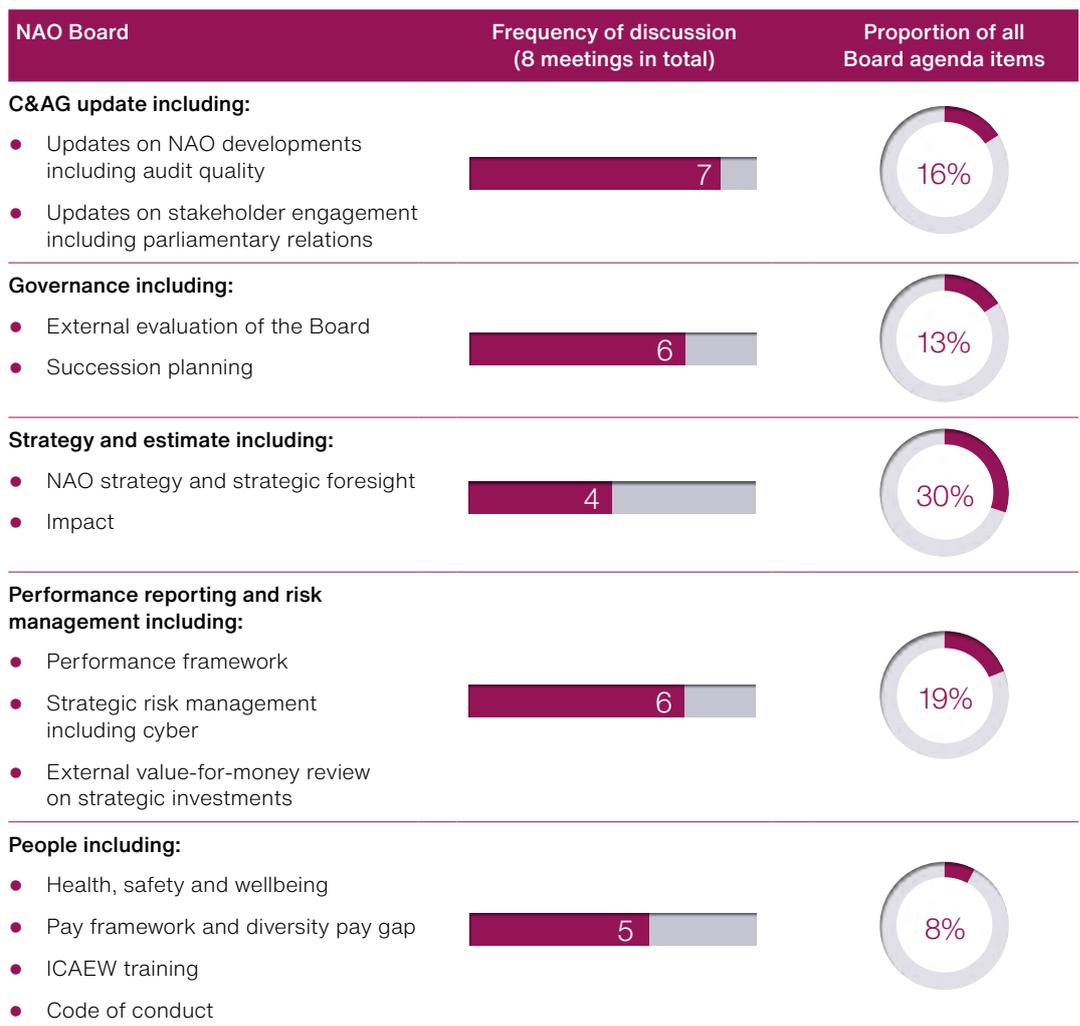
Source: National Audit Office

Membership of the Board

The Board is composed of five non-executive and four executive members. The C&AG is a permanent member of the Board. The executive members of the Board in 2021-22 were Abdool Kara, Daniel Lambauer and Elaine Lewis. Their appointment was approved by the non-executives on the C&AG's recommendation. I invite the three executive directors who are not formally members of the Board to attend all Board meetings. This helps ensure there is a more cohesive collective accountability to the Board, by the Executive Team, for the implementation of the NAO's strategy.

Figure 14

Allocation of time across the National Audit Office (NAO) Board, Audit and Risk Assurance Committee (ARAC) and Remuneration and Nominations Committee (RemCo)



NAO Board	Frequency of discussion (8 meetings in total)	Proportion of all Board agenda items
Project oversight including:		
<ul style="list-style-type: none"> Audit Transformation Programme External website development Net Zero strategic investment 	4	9%
Review and update of Code of practice between the C&AG and the NAO	3	4%
ARAC	Frequency of discussion (4 meetings in total)	RemCo
Transactional business including:		Frequency of discussion (2 meetings in total)
<ul style="list-style-type: none"> Minutes and action log Business updates Legal obligations log 	4	Transactional business including: <ul style="list-style-type: none"> Minutes and action log
Engagement with internal and external audit including:		People including:
<ul style="list-style-type: none"> External audit programme and findings Internal audit findings and strategy 	4	<ul style="list-style-type: none"> NAO pay framework Staff survey Executive director performance, development and remuneration
Risk management including:		Board functionality including:
<ul style="list-style-type: none"> Risk register, with deep dive on cyber security Risk management framework 	4	<ul style="list-style-type: none"> NED succession Appointment of executive directors to the Board
Annual report and accounting policies	2	External remuneration landscape
Annual ARAC report to NAO Board	1	1

Notes

- NED stands for non-executive director.
- ICAEW stands for Institute of Chartered Accountants in England and Wales.
- The National Audit Office Board held seven formal meetings during the year in line with its terms of reference. In addition, the Board held a meeting to discuss the findings from the external Board evaluation. Board meetings typically last 2.5 hours.
- Percentages do not sum to 100 due to rounding.

Source: National Audit Office

Board skills and experience

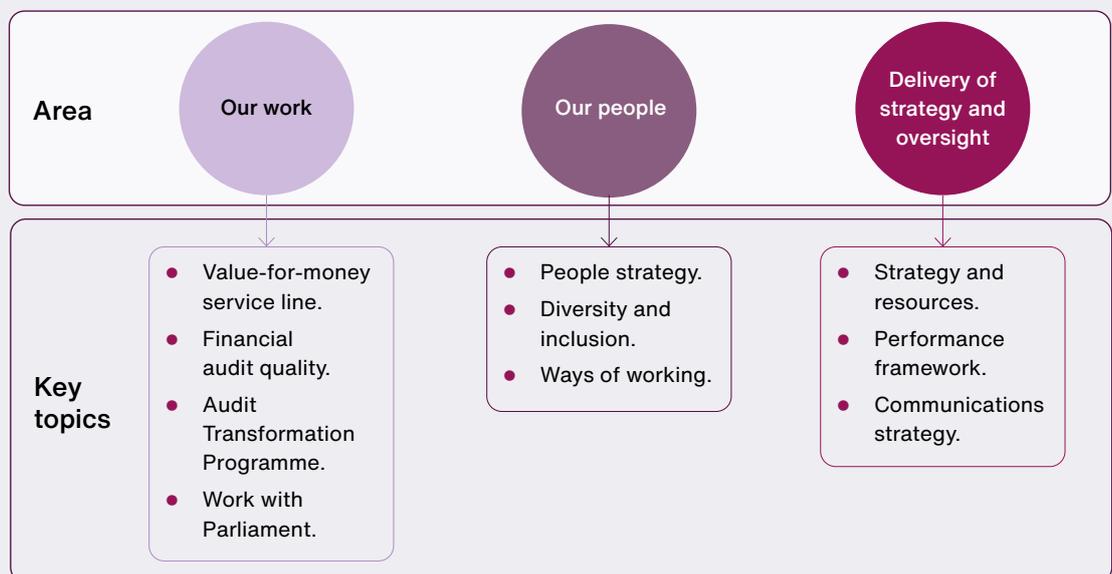
To prepare for the upcoming vacancy on the Board from October 2022, when Janet Eilbeck's six-year non-renewable term of office comes to an end, the Board reviewed its current skills and expertise. It compared these findings with the outcomes it wants to achieve during the remainder of the five-year strategy and beyond.

We concluded we have strong collective skills in strategy, people, financial audit, political affairs and delivery of complex programmes. In terms of sector expertise, our footprint is strong in financial and professional services, within both central government and consumer sectors. This is highly relevant to our strategy. We agreed we should improve our skills and expertise in digital data and technology in the next recruitment round. We also concluded that we lack diversity other than for gender and will prioritise this in the next non-executive recruitment round.

Board development

The induction and development of our Board is important. It supports the effectiveness of both our discussions and decision-making. Throughout 2021-22 we continued our programme of inducting our new non-executive directors and myself as chair. Key activities are summarised below. The induction programme took place alongside various organisation-wide events and group meetings. During the year I have also met the leaders of the NAO's six insight teams to better understand the contribution they are making to sharing our insights and knowledge on cross-governmental issues. I have also engaged in a series of meetings with groups of staff, including NAO's diversity networks, to hear their perspectives on our progress against the strategy and culture.

NAO Board induction programme



External evaluation of the Board

Following a competitive tendering process, Dame Fiona Reynolds procured the services of Board Excellence to carry out a comprehensive independent evaluation of the Board and its Committees. The evaluation consisted of an assessment of the Board's effectiveness across a range of criteria including governance structure; performance and focus; oversight of the C&AG and Executive Team; Board trust and respect; the Board's engagement with key internal and external stakeholders; and it benchmarked the NAO's governance against best practice principles.

The external evaluation concluded the NAO has a strong and high-performing Board, which benefits from an excellent chair, an open and transparent C&AG and a group of highly committed non-executive and Executive Team members. The Board has developed its own action plan to address areas for improvement suggested by the external evaluation which include:

- improving the diversity of the Board;
- strengthening engagement between the non-executives and the C&AG;
- ensuring conscious constructive challenge;
- making best use of Board time by freeing up time for more strategic discussions; and
- improving effective staff engagement.

The external evaluation also covered the two Committees of the Board, which have been assessed as performing strongly and as effectively chaired.

Audit and Risk Assurance Committee



The Audit and Risk Assurance Committee (ARAC) supports the Board and the C&AG by reviewing the comprehensiveness, reliability and integrity of the assurances provided to it regarding the NAO's internal controls, risk framework, including cyber risk, and governance. This also includes financial, operational and compliance controls and the quality and reliability of financial reporting.

I was appointed chair of ARAC in January 2022, taking over from Janet Eilbeck, who had chaired ARAC since October 2016. Janet will continue as a member until her retirement from the Board, alongside Richard Cartwright, the independent external member whose term was extended by the Board to end December 2023.

As part of my induction to the role of chair, I was pleased to attend a management meeting of the Executive Team to observe the discussion and actions arising from their monthly review of the risk register.

During 2021-22, ARAC met four times. At each meeting we reviewed the progress updates from the director of Internal Audit, whose programme of work had been approved in 2020-21. This year we focused on 22 reviews, the majority of which were issued with adequate or substantial assurance opinions. We discussed the limited assurance opinions on the controls and processes around the use of consultants and over the accuracy of long-term sickness payments and endorsed management's actions to address the areas of improvement. We also received updates from the external auditor and from the risk management team.

In addition, we also:

- commissioned the annual external VFM review of the NAO. This year it focused on: the NAO's strategic investments, considering the additional funding provided by TPAC for the Audit Transformation Programme; the VFM practice; and the knowledge management function. The external auditor found the additional investments provided by Parliament had been set up to deliver value for money. The 2022 external review will focus on the NAO's human resources function, including learning and development;
- continued oversight of the NAO's risk management, described in more detail on pages 122 to 127, and reviewed our cyber and information security arrangements against NAO's own best practice for ARACs;⁴¹ and
- commissioned a five-yearly external quality assessment of the internal audit function.

In the year ahead, we will: continue to focus on the controls and mitigating actions taken in respect of our most significant risks; receive and take forward actions from the external quality assessment of the internal audit function; discuss the approach for retendering the external audit contract, to be in place from 1 April 2024; and continue to advise the Board on the 2023 external VFM review topic.

⁴¹ National Audit Office, *Cyber and information security: Good practice guide*, October 2021. Available at: www.nao.org.uk/report/cyber-security-and-information-risk-guidance/

Remuneration and Nominations Committee



The Remuneration and Nominations Committee (RemCo), which I chair, looks at the pay and performance of the executive directors, people-related topics, and talent management for NAO's senior management. We also advise the NAO chair and the C&AG on succession planning for appointments to the Board and the Executive Team.

Highlights this year have included a new approach to collecting staff feedback, with higher levels of granularity. We are pleased that this is helping management to more actively follow up on feedback provided by staff.

In 2021-22, we held two meetings. Throughout the year we:

- reported to the Board our view on the 2022-23 pay award (a 2% pay rise for all staff, with a further 1% to address structural inequalities). We concluded the pay award was fair and reasonable, having considered remuneration benchmark data from the public sector and from accounting firms. In coming to this view, we considered turnover rates, inflation, rising cost of living and the prior year introduction of a pay freeze for all staff. Separately, we advised the C&AG that a 2% increase in the remuneration of the executive directors was reasonable considering their strong performance during a challenging year;
- advised the Board on the approach and scope for the upcoming review of the NAO's remuneration policy; and
- advised the NAO chair on the role specification for the upcoming non-executive vacancy, drawing on the Board skills gap analysis.

In the year ahead, RemCo will look at progress on the NAO's director development curriculum and the executive director coaching programme. We will also advise the chair on the skills and experience for my replacement as RemCo chair, from January 2024, when my term of office comes to an end.

Audit Quality Board



The Audit Quality Board (AQB), an advisory committee to the C&AG, challenges the effectiveness of the controls to support audit quality in our financial audit and VFM work. I chair this Board and work alongside Gaenor Bagley, the C&AG and the executive directors responsible for financial audit and VFM service lines, and financial audit quality.

In 2021-22 we met six times and have done much to educate ourselves on the quality challenges facing the NAO. As well as taking forward our programme of work considering the risks to audit quality and the effectiveness of our response, we also:

- adopted best practice from similar boards within larger audit firms in determining our remit and terms of reference;
- met with audit managers across the NAO to discuss their experiences and seek feedback on what we can do to support their work; and
- challenged the progress we are making in implementing the Audit Transformation Programme, including meeting with those teams adopting the new auditing standards early so we better understand the NAO's new audit risk assessment framework.

I have been pleased that in our first year the AQB has made a positive contribution to improving the NAO's quality risk analysis. I am also assured that the NAO continues to deliver a quality programme of outputs across the wide complexity of government activity.

More detail on the AQB is provided in our Transparency report.

Executive Team



The Executive Team, which I chair, comprises the six executive directors. Each executive director has functional responsibility, and is accountable for, the performance of an area of our work that is essential for the successful delivery of our strategy. They are responsible for that function across the office. Each executive director also leads, and is accountable for, the overall performance of one of our six groups. See our organisational chart for more detail.

Throughout 2021-22, we met at different intervals:

- On a monthly basis, we met to provide strategic and operational leadership and to determine the goals for our organisation.
- On a weekly basis, we met to receive updates from different areas of the organisation and make operational decisions.
- We regularly met on a daily basis, to keep up to date with developments in each of the functional areas of responsibility.

As an Executive Team, we received regular management information throughout the year, which we used to ensure effective execution of our strategy. The management information was used across these meetings to inform our discussions.

We regularly monitored our programme of work, scrutinising the progress of our financial audits against their planned timetables and agreeing additions and revisions to our programme of VFM and wider assurance work. During 2021-22, we also focused on improving the level of detail underpinning our planning for upcoming work to ensure that it is as accurate as possible.

A significant focus for the Executive Team during this year has been overseeing the progress of our Audit Transformation Programme, which will introduce new audit methodology and software to ensure we comply with modern audit requirements. We provided ongoing scrutiny of the programme's business case, including the decision to appoint a partner to help us design and build an enhanced audit software solution.

Attendance at committees

Figure 15

Attendance at the National Audit Office (NAO) Board and committees, 2021-22

Members	NAO Board		Audit and Risk Assurance Committee		Remuneration and Nominations Committee	
	Member	Observer	Member	Observer	Member	Observer
Total number of meetings in 2021-22	8		4		2	
Attendance as						
Non-executive						
Dame Fiona Reynolds	8/8	-	-	1/4	-	2/2
Gaenor Bagley	8/8	-	4/4	-	-	-
Sir Martin Donnelly	6/8	-	-	2/4	2/2	-
Janet Eilbeck	8/8	-	4/4	-	-	-
Dame Clare Tickell	8/8	-	-	-	2/2	-
Executive						
Gareth Davies (C&AG)	8/8	-	-	1/4	-	2/2
Abdool Kara	8/8	-	-	1/4	-	-
Daniel Lambauer	8/8	-	-	4/4	-	-
Elaine Lewis	7/8	-	-	4/4	-	-

Note

1 The NAO Board held seven formal meetings during the year in line with its terms of reference. In addition, the Board held a meeting to discuss the findings from the external Board evaluation.

Source: National Audit Office

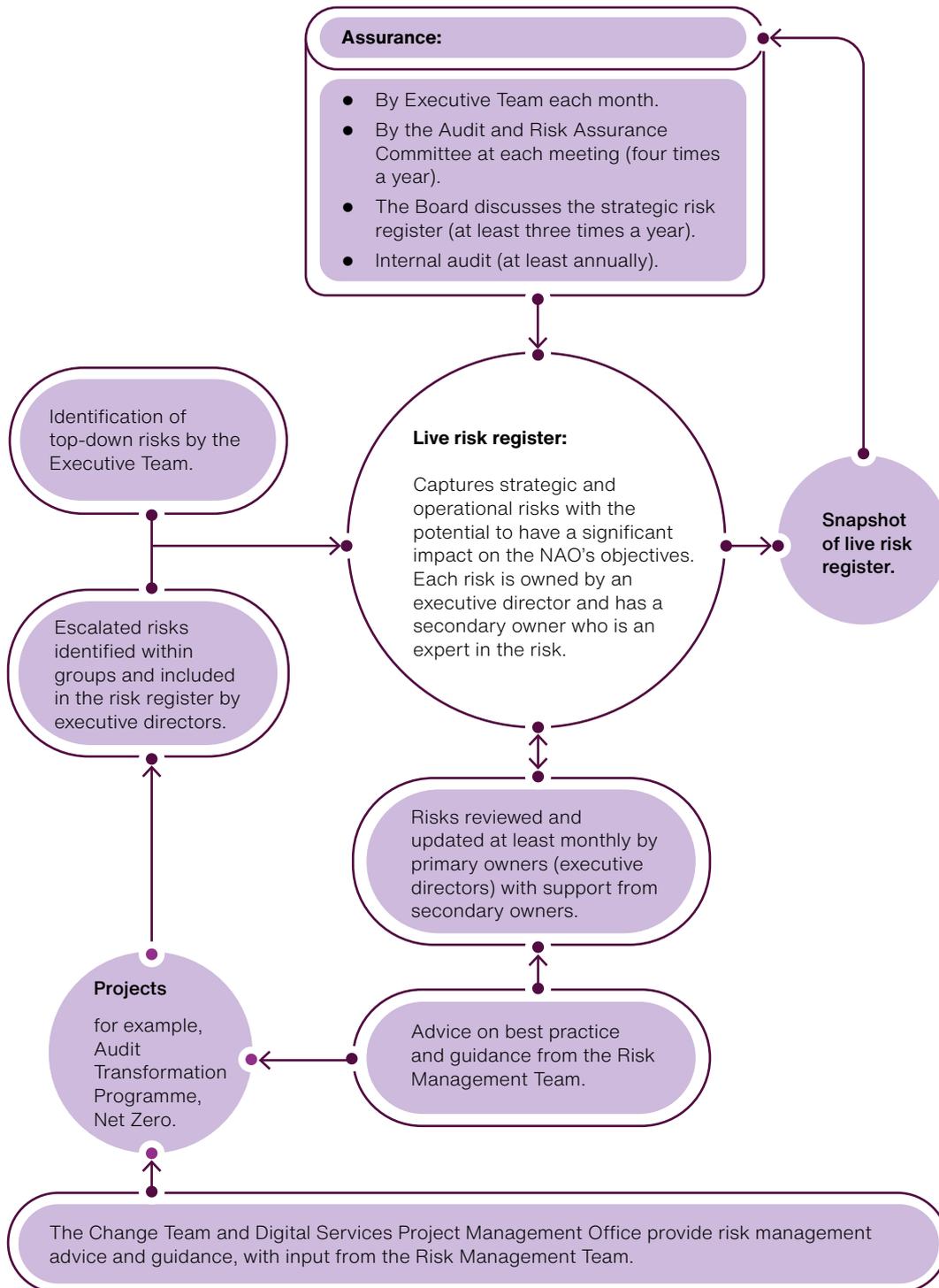
Risk management and control

Our risk management framework is aligned to HM Treasury's Orange Book's best practice principles.⁴² Our approach helps us to identify, assess, treat and monitor the NAO's risks (**Figure 16**). We capture our organisation-wide risks in a live corporate risk register document. The Executive Team receives monthly risk reporting to inform its consideration and assessment of risks.

42 HM Government, The Orange Book, February 2020, available at: www.gov.uk/government/publications/orange-book

Figure 16
National Audit Office (NAO) risk management process

Our approach to risk management helps us to identify, assess, treat and monitor the NAO's risks



Note
1 Arrows signify information or guidance flows.

Source: National Audit Office

NEXT PAGE:
Changes to risk management

Changes to risk management

During 2021-22, we have:

- embedded changes made to the risk management process in 2020-21 following the adoption of our five-year strategy. We have improved the completeness of the risk register by introducing ranges of acceptable risk, in response to the ARAC's oversight;
- introduced a new way of measuring our accepted level of risk for individual risks in the risk register. We reviewed our target levels to help define the level of risk within which we aim to operate. We have introduced critical threshold levels to define the risk level we are not prepared to exceed. This allows us to group our risks into three categories: satisfactory; of concern; and of immediate concern. **Figure 17** shows how this categorisation informs our discussion of risk. As of 31 March 2022, we had 16 risks in the 'satisfactory' category; nine in the 'of concern' category; and no risks in the 'of immediate concern' category; and
- improved the coordination between project management and the Risk Management Team to increase consistency in the risk management of projects.

Figure 17

Risk categorisation and related risk discussion

Position of risk in relation to target and critical threshold	At or below target	Above target and at or below critical threshold	Above critical threshold
Risk categorisation	Satisfactory	Of concern	Of immediate concern
	The risks in this category are within our target range	The risks in this category exceed our target but are at a level that we are prepared to accept	The risks in this category exceed the level of risk we are prepared to accept
Examples of questions for management to consider	<p>Should we take more risk in this area to increase opportunity or decrease downside?</p> <p>Is there scope to decrease the controls in this area?</p> <p>Are we content that the current and target ratings are at the right level?</p>	<p>Are our controls effective enough to bring the risk down to target?</p> <p>When will the risk come down to target?</p> <p>Are we content that the current, target and critical threshold ratings are at the right level?</p>	<p>Are our controls effective enough to bring the risk down to critical threshold?</p> <p>Are we sufficiently prioritising the risk to bring it down to critical threshold quickly enough?</p> <p>When will the risk come down to critical threshold?</p> <p>Are we content that the current and critical threshold ratings are at the right level?</p>
			
	Increasing levels of concern		

Source: National Audit Office

Strategic risks

The strategic risks by area, as of 31 March 2022, are shown in **Figure 18** on pages 126 and 127, along with key mitigations, average current, target and critical threshold risk ratings for each area and the expected trajectory to achieving the target rating for each area.

We select our risks based on their potential impact on our strategic objectives, and use categories on quality, people, impact, delivery and financial and natural resources to group our risks. Many of the risks would impact on our strategic priorities. This approach allows us to link our management information and risk register, helping to inform discussion by the Executive Team, ARAC and Board.

Managing our climate risk

The UK government has committed to achieve Net Zero carbon emissions by 2050. We will play our part and aim to be a Net Zero carbon organisation by 2029. This means that by then, we will have a neutral effect on the climate through greenhouse gas emissions. To achieve our target, we need to reconfigure some of our ways of working, including investment in our estate and use of offices; modelling and analysing our travel habits to be as efficient as possible and bringing in new policies on our business travel, facilitated by digital technology; and investigating our supply chain to identify what carbon our suppliers emit in order to provide goods and services to us. More detail on our progress and plans is provided in the section '[Our environmental impact](#)' (page 94).

We capture and manage risks associated with climate and environment within our risk register. Our risk on 'natural resources' is centred on risks around failing to meet environmental aims to reduce water consumption, increase waste recycling or achieve Net Zero carbon status by 2029. In 2022-23, the Board plans to undertake a review using our *Climate change risk: A good practice guide for Audit and Risk Assurance Committees* on climate change risk.

Figure 18

National Audit Office (NAO) Strategic risks by area, with key mitigations, as at 31 March 2022

	Risks	Risk area Average risk rating as at 1 April 2021	Key mitigations
Quality	<ul style="list-style-type: none"> Financial audit quality Value-for-money (VFM) quality 	13	<ul style="list-style-type: none"> Financial audit quality plan. Quality assurance arrangements and training for VFM audits.
People	<ul style="list-style-type: none"> Diversity of talent Inequitable pay Knowledge and skills Personal development Health and safety People engagement Mental health and wellbeing Inclusion 	9	<ul style="list-style-type: none"> Performance coaches to oversee staff development. Diversity and Inclusion Strategy. Equality action plans on race, disability and social mobility. Monthly People Surveys.
Impact	<ul style="list-style-type: none"> Financial impacts Public reputation Parliamentary impact/influence 	9	<ul style="list-style-type: none"> Pipeline management of recommendations to identify impacts, through recommendations tracking tool. Communications campaigns for highest interest outputs and social media approach developed.
Delivery	<ul style="list-style-type: none"> Disaster recovery Information security Work programme Procurement and contract management COVID-19 – major disruptions to operations New ways of working Change management Delivery of financial audit Delivery of the Audit Transformation Programme 	10	<ul style="list-style-type: none"> Operational planning process and consistent management information across groups. Business continuity and incident recovery plans. Information security strategy. Executive Team approval of work programme. New ways of working introduced. Regular risk reviews of the Audit Transformation Programme.
Financial and natural resources	<ul style="list-style-type: none"> Outturn not within budget Ineffective or inefficient use of resources Natural resources 	6	<ul style="list-style-type: none"> Spending control process. Monthly management accounts and scorecard reporting. Net Zero Carbon Project.

RAG risk ratings

● <7 Green
 ● 7-9 Amber
 ● 10-14 Red/Amber
 ● >14 Red

Notes

- Risk ratings are calculated by multiplying the probability by the impact. Both are on a scale of 1 to 5 so risk ratings can vary from 1 to 25.
- Targets are used as a proxy for risk appetite. Critical thresholds are used as a proxy for risk tolerance.
- The column 'trajectory to achieve target' provides examples but is not exhaustive.

Source: National Audit Office

Risk area Average risk rating as at 31 March 2022	Target and critical threshold		Trajectory to achieve target
	Target	Critical threshold	
12	6	14	We are taking forward actions in our audit quality plan, including through our Audit Transformation Programme, to help manage our risk in this area. From 2022-23, we expect to see improved quality in VFM outputs.
8	6	12	Due to the length of the pipeline of talent, we do not expect to reach our gender pay gap target until 2027 and our ethnicity pay gap target until 2030. With the lifting of the COVID-19 pandemic restrictions, we are expecting our risks on health and safety, and mental health and wellbeing to reduce towards target.
7	8	14	Within target as at 31 March 2022.
9	7	14	We are working to support audited bodies in achieving a target of 70% publishing their accounts before the summer parliamentary recess in 2022, and then to 80% by 2023. We expect risks around delivery of the Audit Transformation Programme to reduce during 2022, as plans move forward.
5	5	10	On target as at 31 March 2022.

Managing our information risk

We have privileged and wide-ranging access to data and information to support the discharge of the audit function and ensure that the C&AG's reports to Parliament are factual, accurate and complete. We must respect this privileged access and ensure that the personal and other sensitive information entrusted to it is safeguarded.

During 2021-22 we have:

- delivered our planned increase in investment in technology to increase in real-time both our visibility of potential or emerging vulnerabilities and enhance our defences against cyber threats;
- increased both the size and technical skills of our information security team to enhance both the agility and resilience in response to the increased threat levels recognised worldwide;
- maintained independent assurance of our Information Security Management System through accreditation to ISO 27001, the international standard on Information Security and Cyber Essentials Plus, confirming we meet the National Cyber Security Centre's baseline cyber security requirements;
- internally drawn insight on best practice, benchmarking our approach to other organisations such as those revealed through our published audit work and the Government Cyber Security Strategy; and
- reflected on the success of these investments in our corporate risk register and consequently reduced the score indicating the likelihood of a risk crystallising in-year.

Review of effectiveness of internal controls

As Accounting Officer, the C&AG has responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the director of internal audit and assurance (DIAA), the executive directors within the NAO responsible for developing and maintaining the internal control framework, and comments made by external auditors in their management letter and other reports.

The DIAA's annual report, concludes that the NAO has "adequate and effective governance, risk and control arrangements". The DIAA has arrived at this opinion by:

- delivering an annual operational plan for 2021-22, approved by the Executive Team and ARAC, set against a detailed Audit Needs Assessment to prioritise activity over a three-year planning period, and designing an internal audit strategy and annual operational plan;
- consistently applying a risk-based methodology, conforming with the Public Sector Internal Audit Standards;

- delivering 22 individual assurance assignments, together with advisory support and, where appropriate, agreeing an action plan with system owners to secure improvements; and
- monitoring the implementation of internal audit recommendations throughout the year and assessing the progress as reasonable.

The DIAA has assured the C&AG that the resources made available have been sufficient to complete the operational plan, and the safeguards in place have maintained his independence.

The Board keeps its internal control arrangements under review in response to internal and external developments. The Board is independently advised by the ARAC.

Internal control weaknesses

There were no significant weaknesses in our system of internal controls in 2021-22 that affected the achievement of our key policies, aims and objectives.

Internal whistleblowing

Staff and others who work for or provide services to us can raise a concern without fear of reprisal. Our [policy](#) covers situations where someone wants to raise a concern about suspected or actual malpractice or impropriety, improper conduct or unethical behaviour within the NAO. It is published on our website for transparency.⁴³

There was one internal whistleblowing case brought to the attention of the NAO Board during 2021-22.

External complaints

Anyone who encounters the NAO and is unhappy or dissatisfied can complain. We have a formal three-stage complaints process. We make every effort to resolve a complaint at the first stage satisfactorily but, if we cannot, the complaint will be reviewed by a member of staff uninvolved with the case. In the final stage of our process, the complaint is considered by a member of the Executive Team.

In 2021-22 we handled 11 complaints under this process. Four were resolved at stage 1, zero at stage 2 and two at stage 3. Five have carried over into 2022-23.

Gareth Davies

The Comptroller and Auditor General

21 June 2022

⁴³ Available at: www.nao.org.uk/contact-us/whistleblowing-disclosures/

Remuneration and staff report

This section provides details on our remuneration policy, pay, benefits and staff numbers.

Remuneration policy for senior management

C&AG and the NAO chair

The Prime Minister and the chair of the Committee of Public Accounts jointly determine the remuneration of the C&AG and the NAO chair. In accordance with the provisions of Part 2 of the Budget Responsibility and National Audit Act 2011, their remuneration is charged on, and paid out of, the Consolidated Fund.

Non-executive Board members

The Public Accounts Commission approves the remuneration of the non-executive Board members. The remuneration paid to non-executive Board members is non-pensionable.

Executive Team

The NAO Remuneration and Nominations Committee determines and agrees the remuneration of the Executive Team. Some members of the Executive Team are also executive members of the Board, but they do not receive additional remuneration for this role. The non-executive members appoint the executive members for a renewable period of 12 months, on the recommendation of the C&AG. During 2021-22, Abdool Kara, Daniel Lambauer and Elaine Lewis were executive members of the Board.

Figure 19 on pages 131 and 132 provides details of the remuneration and pensions for the NAO Board and Executive Team. The information on pages 131 to 141 has been subject to audit.

Figure 19

Single total figure of remuneration (audited)

Non-executive members of the National Audit Office (NAO) Board								
Name	Salary £000		Benefits in kind (to nearest £100)		Pension benefits ¹ (to nearest £1,000)		Total remuneration £000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Dame Fiona Reynolds, National Audit Office (NAO) Chair (from 11 January 2021)	40-45	5-10 (full-year equivalent 40-45)	4,200	-	-	-	40-45	5-10 (full-year equivalent 40-45)
Gaenor Bagley (from 1 January 2021)	20-25	0-5 (full-year equivalent 20-25)	600	-	-	-	20-25	0-5 (full-year equivalent 20-25)
Sir Martin Donnelly (from 1 January 2021)	20-25	0-5 (full-year equivalent 20-25)	-	-	-	-	20-25	0-5 (full-year equivalent 20-25)
Janet Eilbeck	20-25	20-25	300	-	-	-	20-25	20-25
Dame Clare Tickell	20-25	20-25	-	-	-	-	20-25	20-25

Note

- 1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Source: National Audit Office

Figure 19 *continued*
Single total figure of remuneration (audited)

Executive Team								
Name	Salary £000		Benefits in kind (to nearest £100)		Pension benefits ¹ (to nearest £1,000)		Total remuneration £000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Gareth Davies, Comptroller and Auditor General	220-225	220-225	-	-	-	-	220-225	220-225
Abdool Kara ²	165-170	165-170	300	300	-	-	165-170	165-170
Daniel Lambauer ³	135-140	135-140	200	200	54,000	54,000	190-195	190-195
Elaine Lewis ³	120-125	120-125	200	200	30,000	112,000	150-155	235-240
Kate Mathers ³	135-140	135-140	200	200	33,000	64,000	170-175	200-205
Rebecca Sheeran ⁴	135-140	125-130 (full-time equivalent 135-140)	200	200	-	-	135-140	125-130 (full-time equivalent 135-140)
Max Tse ³	135-140	135-140	200	200	54,000	54,000	190-195	190-195

Notes

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- Abdool Kara does not participate in the National Audit Office (NAO) pension scheme.
- Pension benefit disclosed in this table is determined by the specific pension schemes enrolled in. Career average schemes accrue pension benefit as a fixed percentage of the salary earned in-year whereas the final salary pension schemes benefit accrue on the basis of length of service and the latest annual salary. Therefore, entitlements for individuals will differ in-year depending on what scheme they are in. Of the Executive Team, Daniel Lambauer and Max Tse are members of career average schemes only. Kate Mathers and Elaine Lewis are members of final salary schemes in addition to career average schemes.
- Rebecca Sheeran participates in the NAO's Partnership Pension scheme. This is a defined contribution scheme and we are only required to disclose the contributions made by the NAO in the year. The total contribution made for 2021-22 was £20,000 (2020-21: £18,000).

Source: National Audit Office

Salary

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the NAO and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred by the NAO and treated by HM Revenue & Customs as a taxable payment. As part of the remuneration package, the NAO provides all its employees with additional death-in-service benefit equivalent to one year's salary. The benefits column in the table on page 132 shows the cost to the NAO of providing the death-in-service benefit to members of the Executive Team, and the associated income tax and National Insurance liability that was met by the NAO. The benefits in kind disclosed for non-executive members of the Board on page 131 relate to travel to the NAO for Board and other committee meetings and include the associated income tax and National Insurance liability, which was met by the NAO. The NAO has an agreement with HM Revenue & Customs to meet income tax and National Insurance on these benefits on behalf of non-executive members of the Board.

Pension arrangements (including audited cash equivalent transfer value figures)

Comptroller and Auditor General

The pension arrangements for the C&AG are covered by the Superannuation Act 1972 and are analogous to those of a member of the Principal Civil Service Pension Scheme, which is an unfunded scheme. The Act provides for defined pension benefits to be met from the Consolidated Fund and no liability rests with the NAO. On taking up his appointment as C&AG on 1 June 2019, Gareth Davies waived his pension benefit entitlement.

Executive Team

Pension benefits for executive directors are provided through the civil service pension arrangements. Details of the civil service pension arrangements can be found at: www.civilservicepensionscheme.org.uk

The pension entitlements of our most senior managers (NAO's executive directors) were as shown in **Figure 20** (audited) overleaf.

Figure 20

Pension entitlements of National Audit Office (NAO) executive directors

	Accrued pension at 31 March 2022 and related lump sum	Real increase in pension and related lump sum at pension age	CETV ¹ at 31 March 2022	CETV ¹ at 31 March 2021	Real increase in CETV ¹
	£000	£000	£000	£000	£000
Daniel Lambauer	25–30	2.5–5	268	232	19
Elaine Lewis	40–45 plus a lump sum of 75–80	0–2.5 plus a lump sum of 0	633	587	8
Kate Mathers	50–55	0–2.5	801	745	11
Max Tse	25–30	2.5–5	299	261	21

Notes

- 1 CETV = Cash Equivalent Transfer Value.
- 2 Abdool Kara does not participate in the National Audit Office (NAO) pension scheme.
- 3 Rebecca Sheeran participates in the Partnership Pension scheme of NAO's pension scheme. This is a defined contribution scheme and we are only required to disclose the contribution made in the year rather than the information in the table above. The total employer contribution made for 2021-22 was £20,000.

Source: National Audit Office

Cash Equivalent Transfer Value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or an arrangement to secure pension benefits in another pension scheme or an arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

The real increase in CETV

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair pay disclosure (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median, 25th percentile and 75th percentile remuneration of the organisation's workforce (**Figure 21**).

Total pay and benefits includes the employee's full-time equivalent salary, allowances, performance pay or bonuses payable and non-cash benefits, but excludes pension benefits.

Figure 21

Fair pay disclosures

		2021-22	2020-21
Remuneration banding for highest paid individual (salary and allowances)		£220,000 to £225,000	£220,000 to £225,000
Percentage change from the previous financial year for highest paid individual		0%	0%
75th percentile	Total pay and benefits	£66,353	£66,754
	Pay ratio	3.35	3.33
Median	Total pay and benefits	£54,500	£54,315
	Pay ratio	4.08	4.10
25th percentile	Total pay and benefits	£36,386	£35,000
	Pay ratio	6.11	6.36
Average percentage change in salary and allowances from the previous financial year for all National Audit Office employees (excluding the highest paid individual)		2.55%	4.50%
Remuneration range		£19,000–£220,000 to £225,000	£17,000–£220,000 to £225,000

Source: National Audit Office

Neither the highest paid individual nor other NAO employees received performance pay or bonuses during 2021-22 (2020-21: nil).

There are no non-salary components in the total pay and benefits figures disclosed in the table above for the median, 25th percentile and 75th percentile (2020-21: nil).

Since the prior year, the 75th percentile pay ratio has increased and the median and 25th percentile pay ratios have decreased, but the changes are not significant. The changes in the pay ratios from the prior year are attributable to changes in the remuneration of the pay and benefits of the NAO's employees taken as a whole, as the remuneration banding for the highest paid individual is unchanged.

The average percentage change in salary and allowances from the previous financial year for all NAO employees (excluding the highest paid individual) is calculated based on the average salary of all staff (including temporary staff) in post at the year-end compared with the average salary of those in post at the prior year-end. The changes shown reflect movements in the mix of grades in the organisation over time, in order to build the capability and skill sets required to address ongoing financial audit quality challenges, as well as build up expert knowledge across a range of specialist areas relevant to both financial and VFM practices.

There have been no significant changes from the prior year in the NAO's employment models or the proportion of the workforce that is not employed by the NAO under contracts of service. No NAO employees are employed to work wholly or mainly outside the UK (2020-21: nil).

The NAO believes the median pay ratio for 2021-22 is consistent with the pay, reward and progression policies for the NAO's employees taken as a whole, because it reflects the pay envelope that has been agreed with TPAC as part of their approval of the NAO's Strategy and Estimate.

NAO staff remuneration policy

In accordance with the provisions of the Budget Responsibility and National Audit Act 2011, the NAO is responsible for employing staff and must have regard to the desirability of keeping the terms broadly in line with those that apply to the civil service. NAO staff normally hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Levels of remuneration are set at an appropriate level to recruit, retain and motivate able, qualified and high-calibre people within the budget available to the NAO.

Staff numbers and related costs (audited)

The average number of persons employed during the year was:

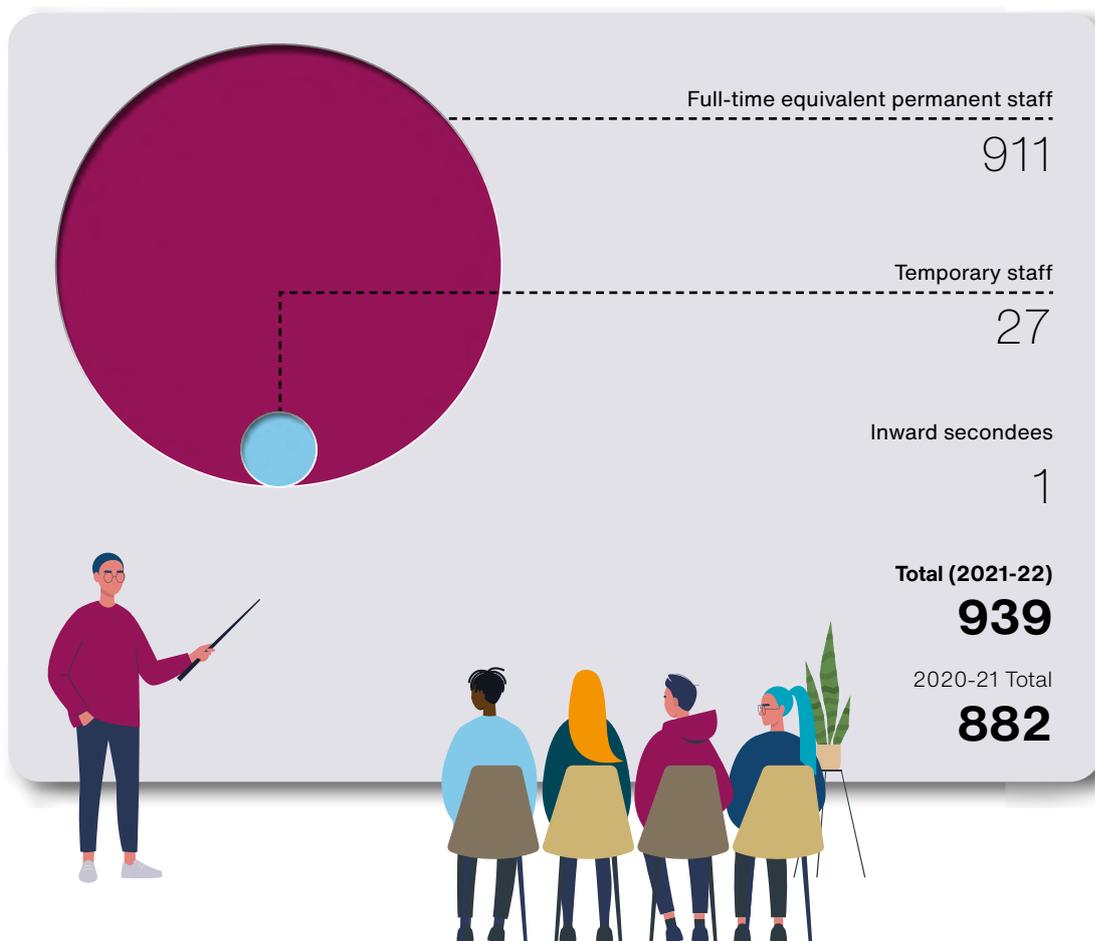


Figure 22
Staff costs comprise

	2021-22			2020-21		
	Total £000	Permanent £000	Temporary £000	Total £000	Permanent £000	Temporary £000
Wages and salaries	53,806	49,913	3,893	50,645	48,045	2,600
Social security costs	5,927	5,927	-	5,622	5,622	-
Pension costs	13,714	13,714	-	13,054	13,054	-
Gross cost	73,447	69,554	3,893	69,321	66,721	2,600
Secondment income	(178)	(178)	-	(154)	(154)	-
Net cost	73,269	69,376	3,893	69,167	66,567	2,600

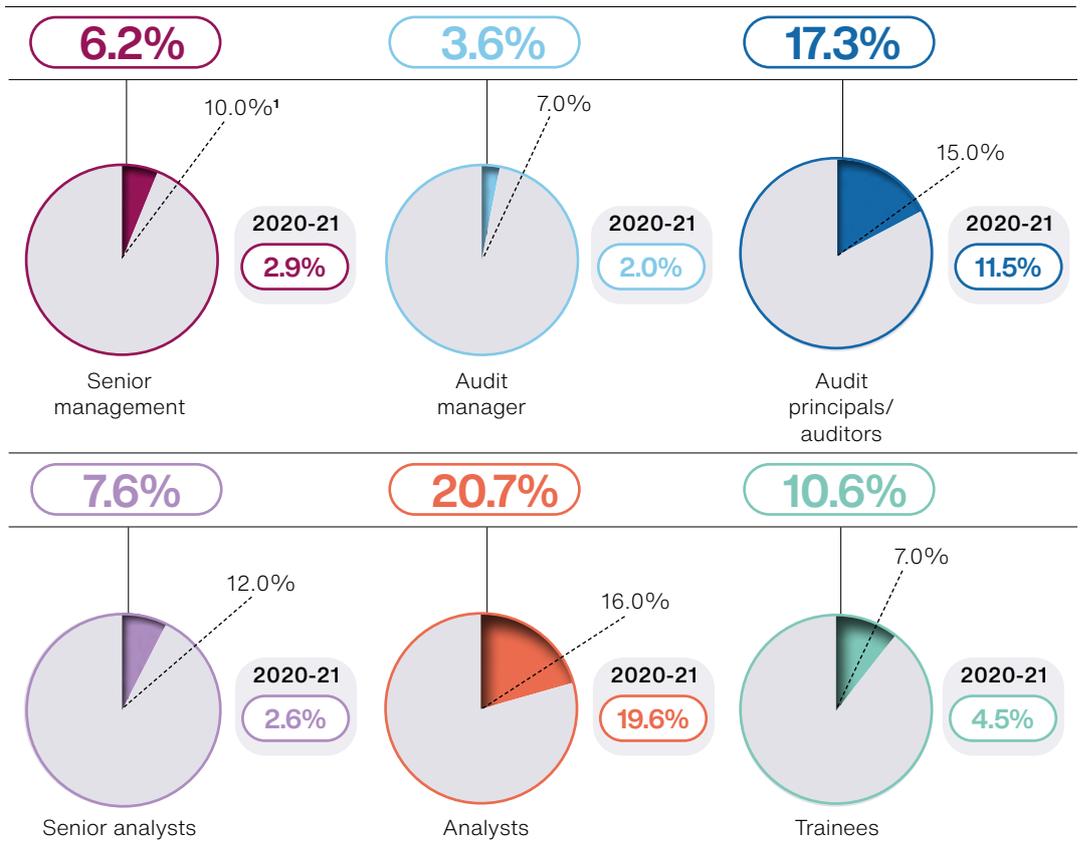
Source: National Audit Office

NEXT PAGE:
Staff turnover

Staff turnover

Staff turnover is calculated using the Cabinet Office methodology. The figures show overall 'Turnover' as the concept of 'Departmental turnover', which includes staff moving from one department to another and does not apply to the NAO as an independent organisation entirely separate from the civil service.

2021-22 percentage turnover by audit grade



-- Target rates for 2021-22

Notes

- 1 The senior management category includes directors and executive directors. This target rate is for directors only.
- 2 Data reflect 12 months to end March 2022.
- 3 The trainees value in the 2020-21 annual report included interns. This has now been removed from this figure for 2020-21 and 2021-22.

Source: National Audit Office

NAO staff pension arrangements

Pension benefits are provided through the civil service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the CETV shown in this report – see above). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (Partnership Pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership Pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death-in-service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.) Further details about the civil service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.

Reporting of civil service and other compensation schemes – exit packages (audited)

We offer compensation when staff agree to leave the organisation in circumstances where the departure provides an opportunity to refresh our skills base and contributes to a reduction in our costs. Details of the packages offered during the year and the previous year are shown in **Figure 23**.

These redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Figure 23 shows the total cost of exit packages agreed and accounted for in 2021-22 (2020-21 comparative figures are also given). Exit costs are accounted for in full in the year that the departure is agreed. Where the NAO agrees early retirements, the additional costs would be met by the NAO and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Figure 23

Compensation packages offered during 2021-22

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2021-22 (2020-21)	2021-22 (2020-21)	2021-22 (2020-21)
<£10,000	- (-)	- (-)	- (-)
£10,001-£25,000	- (-)	- (-)	- (-)
£25,001-£50,000	- (-)	1 (-)	1 (-)
£50,001-£100,000	- (-)	- (-)	- (-)
£100,001-£150,000	- (-)	- (-)	- (-)
£150,001-£200,000	- (-)	- (-)	- (-)
£200,001-£250,000	- (-)	- (-)	- (-)
>£250,000	- (-)	- (-)	- (-)
Total number of exit packages by type	- (-)	1 (-)	1 (-)
Total costs disclosed in financial statements (£000)			44 (-)

Source: National Audit Office

Off-payroll engagements

There were no off-payroll engagements in 2021-22 (2020-21: nil).

Expenditure on consultancy

The NAO spent £2.2 million on consultancy in 2021-22 (2020-21: £1.7 million) to obtain objective advice relating to strategy, structure, management or operations. Use of consultancy includes activities relating to the delivery of IT improvements and specialist legal advice on specific matters of policy or commerce where it is not economical to maintain this expertise in-house.

Our policy on equality and disability

Disability

We are committed to building an inclusive workplace for disabled staff. We have a positive record of recruiting staff with existing conditions, partly supported by our commitment to guarantee interviews to all disabled candidates who meet the minimum criteria for the role and adjustments to our selection processes. In 2021, 17% of our trainee intake had a declared disability. In addition, we have a supportive approach to implementing workplace adjustments to help overcome disadvantage when disabled people join the NAO.

We support people who become disabled during their employment to remain in work and realise their potential. Where appropriate, we seek specialist advice, through our occupational health advisers and other specialist organisations such as Lexxic (specialists in dyslexia and dyspraxia), on adjustments which will support people to continue in their current post and have developed our understanding of, and approach to, neurodiversity. We have 65 trained mental health first aiders who provide confidential support and guidance to those facing a mental health issue.

Workplace adjustments are made to allow disabled employees to access suitable learning and development opportunities, with a specific focus on supporting our graduates through their professional training programme. When promotion and other development opportunities arise, disabled colleagues are encouraged to apply and discuss any adjustments they might require to the selection arrangements to remove any potential disabling barriers.

In 2022-23, as part of our wider Disability Equality Action Plan, we are updating our workplace adjustments process and guidance in line with latest best practice and developing an online system for recording adjustments with appropriate consent. This will provide greater opportunity for adjustments to be kept up to date and shared with appropriate staff such as performance coaches and assignment managers. Our ambition is to create an environment where staff with a disability feel supported and able to progress their careers. Our data show that disabled staff are represented at all levels of the business, making up 15% of all staff and 12% of directors.

Equality and fairness

We are committed to fostering an inclusive working environment in which individuals' differences are respected, and everyone is encouraged to realise their potential to make a full contribution to the NAO's corporate objectives.

In late spring 2021 we launched our new four-year Diversity and Inclusion (D&I) Strategy 2021–2025. This document frames our approach to D&I and sets out four priority areas: proactively strengthening the diversity of our pipeline; maximising the potential of all our people; building a culture of inclusion and respect for others; and setting clear ambitions and holding ourselves to account. The strategy is supported by a detailed action plan and a series of clear and ambitious targets.

Our ambition in key focus areas is supported by our Race Equality Action Plan, published in December 2020, our Disability Equality Action Plan, launched in April 2021, and our Social Mobility Equality Action Plan launched in March 2022. Progress against our targets is monitored by our Diversity and Inclusion Operational Committee and our Executive Team, who challenge the pace and direction of change and provide regular input into how we might address the D&I challenges we are facing. The work of these committees is supported by our active diversity networks, who play a role in developing our approach to a range of D&I issues and in enhancing the profile of our work.

We aim to ensure all staff receive equal treatment that is free of discrimination and we follow all employment-related procedures impartially and objectively. This approach includes decisions relating to recruitment, training and development, performance management, reward and benefits, and promotion.

We do not tolerate bullying and harassment of any kind and emphasise the importance of respecting others in our corporate values and a range of people policies. We work hard to ensure people feel confident they can raise issues in a safe, supportive and confidential environment. We investigate allegations quickly, sensitively and fairly, taking firm action where cases are proven. We have a strong team of Dignity at Work leads who offer informal, confidential support to those who have experienced or witnessed inappropriate behaviour. Our Dignity at Work and related training programmes also embed the principles of fair treatment and inclusive behaviours.

Staff composition and sickness absence data

Information on staff composition and sickness absence data can be found in the 'Our people' section of the Performance Report.

Parliamentary accountability and audit report

This section provides details on Statement of Outturn against Parliamentary Supply.

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under the International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires the NAO to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Independent Auditor's Certificate and Report to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate (the Estimate). Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Estimate – called control limits – their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Estimates, published on www.gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (Note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SoCNE), to tie the SOPS to the financial statements (Note 2); and a reconciliation of outturn to net cash requirement (Note 3).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. Information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The finance review, in the Performance Report, provides a summarised discussion of Outturn against Estimate and functions as an introduction to the SOPS disclosures.

Figure 24

Statement of Outturn against Parliamentary Supply (SOPS)

Summary table, 2021-22, all figures presented in £000s

Type of spend	SOPS note	Outturn			Estimate			Outturn vs Estimate saving/(excess)		Prior year Outturn total 2020-21
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Net total (voted and non-voted)
Departmental Expenditure Limit										
Resource	1.1	78,214	293	78,507	80,200	320	80,520	1,986	2,013	74,146
Capital	1.2	1,880	-	1,880	2,300	-	2,300	420	420	1,093
Total budget expenditure		80,094	293	80,387	82,500	320	82,820	2,406	2,433	75,239
Non-budget expenditure		-	-	-	-	-	-	-	-	-
Total budget and non-budget		80,094	293	80,387	82,500	320	82,820	2,406	2,433	75,239

Notes

- Figures in the areas outlined in the thick line cover the voted control limits voted by Parliament. Refer to the 2021-22 Supply Estimates, available at: www.gov.uk.
- All of the National Audit Office's resources are deemed equivalent to resource DEL or capital DEL (Departmental Expenditure Limit).

Source: National Audit Office

Figure 25

Net cash requirement 2021-22, all figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2020-21
Net cash requirement	3	76,510	79,802	3,292	71,467

Source: National Audit Office

Figure 26

Programme costs 2021-22, all figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2020-21
Programme costs	1.1	78,214	80,200	1,986	73,853

Source: National Audit Office

SOPS1. Outturn detail, by Estimate line

Figure 27

SOPS1 outturn detail, by Estimate line

SOPS1.1 Analysis of resource outturn by Estimate line

Type of spend (resource)	Resource outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior year Outturn total, 2020-21
	Programme					
	Gross	Income	Net total			
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	103,654	(25,440)	78,214	80,200	1,986	73,853
Total voted DEL	103,654	(25,440)	78,214	80,200	1,986	73,853
Non-voted expenditure						
B – The Chair and the Comptroller & Auditor General costs	293	–	293	320	27	293
Total non-voted DEL	293	–	293	320	27	293
Total spending in DEL	103,947	(25,440)	78,507	80,520	2,013	74,146

Source: National Audit Office

Figure 28

SOPS1.2 analysis of net capital outturn

Type of spend (capital)	Capital outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior year Outturn total, 2020-21
	Programme					
	Gross	Income	Net total			
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	1,880	–	1,880	2,300	420	1,093
Total voted DEL	1,880	–	1,880	2,300	420	1,093

Source: National Audit Office

SOPS2. Reconciliation of outturn to net operating expenditure

No reconciliation is required as total resource outturn in the SOPS is the same as net operating expenditure in the SoCNE.

Figure 29

SOPS3 Reconciliation of net resource outturn to net cash requirement

	Note	Outturn	Estimate	Outturn vs Estimate/ saving (excess)
Resource outturn	SOPS 1.1	78,507	80,520	2,013
Capital outturn	SOPS 1.2	1,880	2,300	420
Accruals to cash adjustments				
Adjustments to remove non-cash items				
Depreciation		(2,916)	(3,000)	(84)
Change in provisions		137	1	(136)
Loss on disposal of assets		(1)	-	1
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		(1,241)	200	1,441
(Increase)/decrease in payables		437	100	(337)
Use of provisions		-	1	1
Total		76,803	80,122	3,319
Removal of non-voted budget items:				
Consolidated Fund standing services		(293)	(320)	(27)
Net cash requirement		76,510	79,802	3,292

Note

- 1 As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Source: National Audit Office

Fees and charges (audited)

We charge fees for our audit work and other services where it is permitted to do so under legislation. These are charged in accordance with a scheme prepared by the NAO, which is developed with consideration of best practice set out in *Managing Public Money* (guidance published by HM Treasury) and approved by the Public Accounts Commission.

Fees for audit and assurance work are set to cover the full planned cost attributable for the service. This makes sure that the NAO neither plans to profit at the expense of the consumer of its services nor makes a loss for taxpayers to subsidise. Costs are calculated on an accrual basis, including overheads. This includes the time that people spend on activities, which is set using a standard hourly rate. As our audit portfolio has diversified and become more challenging, there have been transitional and familiarisation costs which we have not yet been able to recover directly from the audited body. The NAO's objective is to break even on its fee-paying work and to address short-term deficits arising. The overall deficit position has reduced substantially since the prior year. In line with the objective of full cost recovery set out in *Managing Public Money*, fee levels have been increased over time on a number of audit projects in order to continue to address existing structural deficits. We continue to work with our clients to bring fee income into line with underlying costs, in many cases through a gradual transition, as we are mindful of the impact of changes in audit costs on audited entities' cost bases.

Secondments are usually arranged on a full cost recovery basis. However, we may at times subsidise the cost of a secondment where the experience and skills gained through the secondment will bring future benefit to the NAO. Rental income is earned in line with agreed rental rates for office space per square foot, with any rent-free period amortised over the period of the lease. Any surplus on rental income is subject to corporation tax (**Figure 30**).

Losses and special payments (audited)

There were no losses or special payments that require disclosure because of their size or nature in 2021-22.

Figure 30
Fees and charges

2021-22			
	Income	Expenditure	Surplus/(deficit)
	£000	£000	£000
Audit and Assurance work	23,267	25,497	(2,230)
Secondment income	178	254	(76)
Rental of office space	1,926	1,403	523
Grant income	69	69	-
Total	25,440	27,223	(1,783)

2020-21			
	Income	Expenditure	Surplus/(deficit)
	£000	£000	£000
Audit and Assurance work	21,902	25,845	(3,943)
Secondment income	154	281	(127)
Rental of office space	2,473	1,262	1,211
Grant income	69	69	-
Total	24,598	27,457	(2,859)

Notes

- Income from clients reported in the financial statements is affected by movement in provision for future deficits; a provision which is required by accounting standards.
- The National Audit Office is unable to recover VAT on expenditure incurred in delivering Statutory Audit work. Of the £2,230,000 total deficit in Audit and Assurance work, £1,818,000 relates to Statutory Audit work. If non-recoverable VAT is excluded from Statutory Audit expenditure, the deficit in Statutory Audit work would be £1,072,000 and the total deficit in Audit and Assurance work would be £1,484,000. (2020-21: Of the £3,943,000 total deficit in Audit and Assurance work, £2,469,000 related to Statutory Audit work. If non-recoverable VAT had been excluded from Statutory Audit expenditure, the deficit in Statutory Audit work would have been £1,808,000 and the total deficit in Audit and Assurance work would have been £3,282,000).

Source: National Audit Office

Gareth Davies
The Comptroller and Auditor General

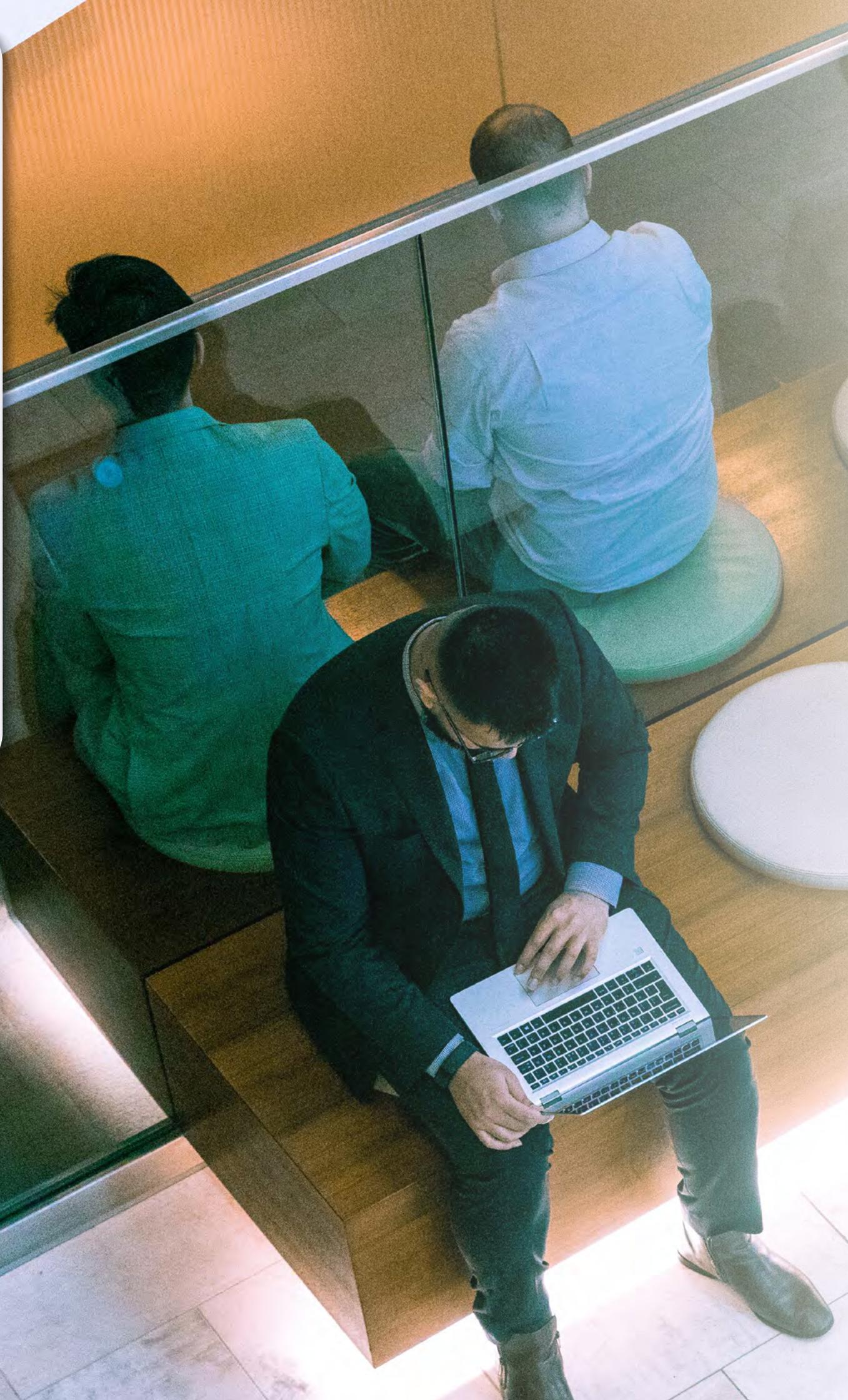
21 June 2022

Performance report

Accountability report

Independent Auditor's Certificate and report to the House of Commons

Financial statements



Independent Auditor's Certificate and Report to the House of Commons

Opinion on financial statements

We certify that we have audited the financial statements of the National Audit Office ('NAO') for the year ended 31 March 2022, which comprise the NAO's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international financial reporting standards as interpreted by UK-adopted IAS.

In our opinion the financial statements:

- give a true and fair view of the state of the NAO's affairs as at 31 March 2022 and of the NAO's net operating costs for the year then ended;
- have been prepared in accordance with the Budget Responsibility and National Audit Act 2011.

Opinion on regularity

We have audited the Statement of Parliamentary Supply and the related notes. In our opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary Control Totals for the year ended 31 March 2022 and shows these totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the NAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the NAO's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements, the parts of the Accountability Report that are described in that report as having been audited and our auditor's report thereon. Our opinion on the financial statements, the Statement of Parliamentary Supply and related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures within the Accountability Report that is described in those reports and disclosures as having been audited does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters

We have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures within the Accountability Report that is described in those reports and disclosures as having been audited. In our opinion in all material respects:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with guidance issued by HM Treasury; and
- the information given in the Performance Report and the unaudited part of the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance issued by HM Treasury.

Responsibilities of the Accounting Officer

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the NAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate or cease operations or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are also required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary Control Totals. For the NAO, the voted Parliamentary Control Totals are Departmental Limits (Resource and Capital) and Net Cash Requirement. We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the NAO operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Budget Responsibility and National Audit Act 2011 and the Government Financial Reporting Manual (FReM 20/21) which applies UK adopted IAS. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the NAO's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the NAO for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR) and regulations as the statutory auditor of Companies Act 2006 entities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Accounting Officer and other management and inspection of regulatory and legal correspondence, if any.

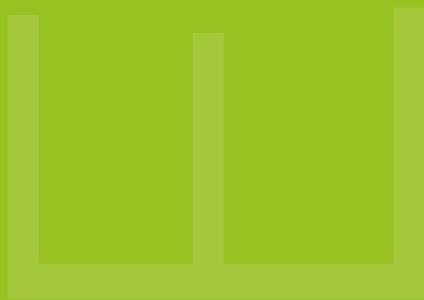
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of revenue and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Audit and Risk Assurance Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Crowe U.K. LLP
Statutory Auditors
55 Ludgate Hill
London
EC4M 7JW
UK

Date: 21 June 2022

Financial statements



Statement of Comprehensive Net Expenditure for the period ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Contract income	6	(23,267)	(21,902)
Other income	6	(2,173)	(2,696)
Total operating income		(25,440)	(24,598)
Staff costs	3	73,447	69,321
Purchase of goods and services	4	27,485	26,090
Non-cash costs	5	2,917	3,098
Tax expense		98	235
Total operating expenditure		103,947	98,744
Net operating expenditure for the year		78,507	74,146
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
Net loss/(gain) on revaluation of property, plant and equipment	7	(3,144)	11,806
Total comprehensive net expenditure for the year		75,363	85,952

Source: National Audit Office

Statement of Financial Position as at 31 March 2022

	Note	2021-22		2020-21	
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	7	91,941		90,730	
Intangible assets	8	980		84	
Receivables falling due after one year	9	57		118	
Total non-current assets			92,978		90,932
Current assets:					
Trade and other receivables	9	5,375		5,614	
Contract assets – accrued income	9	1,577		2,518	
Cash and cash equivalents		291		1,551	
Total current assets			7,243		9,683
Total assets			100,221		100,615
Current liabilities:					
Trade and other payables	10	(6,668)		(8,437)	
Contract liabilities – payments received on account	10	(1,739)		(1,667)	
Provisions		–		(137)	
Total current liabilities			(8,407)		(10,241)
Total assets less current liabilities			91,814		90,374
Non-current liabilities:					
Provisions		(126)		(126)	
Total non-current liabilities			(126)		(126)
Total assets less liabilities			91,688		90,248
Taxpayers' equity and other reserves:					
General fund			29,339		29,445
Revaluation reserve			62,349		60,803
Total equity			91,688		90,248

Gareth Davies

The Comptroller and Auditor General authorised these financial statements for issue on

21 June 2022

Statement of Cash Flows for the period ended 31 March 2022

		2021-22	2020-21
	Note	£000	£000
Cash flows from operating activities:			
Net operating expenditure for the year		(78,507)	(74,146)
Adjustments for non-cash transactions	5	2,917	3,098
(Increase)/decrease in trade and other receivables	9	300	128
(Increase)/decrease in contract assets	9	941	(53)
Increase/(decrease) in trade and other payables	10	(221)	51
Increase/(decrease) in contract liabilities	10	72	(310)
Change in provisions	11	(137)	(58)
Net cash outflow from operating activities		(74,635)	(71,290)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(925)	(1,093)
Purchase of intangible assets	8	(955)	-
Increase/(decrease) in non-trade payables	10	(288)	623
Net cash outflow from investing activities		(2,168)	(470)
Cash flows from financing activities:			
From the Consolidated Fund (Supply) – current year		75,250	72,500
Consolidated Fund Standing Services	4	293	293
Net financing		75,543	72,793
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(1,260)	1,033
Cash and cash equivalents at the beginning of the year		1,551	518
Cash and cash equivalents at the end of the year		291	1,551

Source: National Audit Office

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2022

	Note	General fund ¹ £000	Revaluation reserve ² £000	Total reserves £000
Changes in taxpayers' equity				
Balance at 31 March 2020		30,033	74,407	104,440
Net Parliamentary Funding drawn down		72,500	-	72,500
Net Parliamentary Funding deemed		518	-	518
Supply payable adjustment		(1,551)	-	(1,551)
Consolidated Fund Standing Services	4	293	-	293
Comprehensive net expenditure for the year		(74,146)	(11,806)	(85,952)
Realised element of revaluation reserve		1,798	(1,798)	-
Balance at 31 March 2021		29,445	60,803	90,248
Net Parliamentary Funding drawn down		75,250	-	75,250
Net Parliamentary Funding deemed		1,551	-	1,551
Supply payable adjustment		(291)	-	(291)
Consolidated Fund Standing Services	4	293	-	293
Comprehensive net expenditure for the year		(78,507)	3,144	(75,363)
Realised element of revaluation reserve		1,598	(1,598)	-
Balance at 31 March 2022		29,339	62,349	91,688

Notes

- 1 The General Fund records all changes in financial resources for the year with the exception of those that are recorded in the Revaluation Reserve. This includes the Parliamentary Funding provided and the net expenditure for the year.
- 2 The Revaluation Reserve records the gain or loss on the revaluation of assets. The depreciation charge on the revalued asset will be different from the depreciation that would have been charged based on the historical cost of the asset. Each year the National Audit Office (NAO) transfers an amount equal to the excess annual depreciation from the Revaluation Reserve to the General Fund which makes sure that by the time the asset is fully depreciated there is no residual balance associated with the asset in the Revaluation Reserve.

Source: National Audit Office

Notes to the Financial statements

1. Accounting policies, key accounting estimates and judgements

1.1 Statement of accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies adopted by the National Audit Office (NAO) are described below. Where the FReM permits a choice of accounting policy, the accounting policy most appropriate to give a true and fair view of the particular circumstances of the NAO has been selected. They have been applied to all items that are material to the financial statements.

1.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except as otherwise set out in the accounting policies. Figures are presented in pounds sterling and are rounded to the nearest £1,000. Transactions in foreign currencies are translated into sterling at the exchange rate at the dates of the transaction. Any assets and liabilities in a foreign currency are translated into sterling at the exchange rate on the date of reporting. Translation differences are recognised in the Statement of Comprehensive Net Expenditure.

1.3 Reporting standards issued but not yet effective

There are two reporting standards issued but not yet effective:

- IFRS 16 (Leases); and
- IFRS 17 (Insurance Contracts).

IFRS 16 (Leases) introduces changes to accounting for leases. The new standard requires an organisation to recognise all the assets which it leases, such as any property, vehicles or equipment, in the Statement of Financial Position as if they were owned outright. All future payments due under the terms of the lease are to be recognised upfront as a corresponding liability. Current effective standards do not require all leased assets to be recognised in this way, and future payment commitments are simply disclosed.

IFRS 16 has been adopted by the FReM and was planned to be effective from 1 April 2020. However, HM Treasury has agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 until 1 April 2022. This is because of the impact of the COVID-19 pandemic.

We have carried out an assessment of the new standard on leases to which the NAO is a party, and have concluded that the only significant leases that will be affected by this new standard are those relating to the use of property.

The NAO has a 130-year lease for the use of the London property, which is at a peppercorn rent; this is currently recognised as an asset in the Statement of Financial Position. We do not expect any change in our treatment of this lease under the new standard.

The NAO has a 10-year lease for the use of office space in Newcastle, which commenced in 2013. This may require a right of use asset and a liability for the future lease payment commitments to be recognised in the Statement of Financial Position. The amount to be recognised would only be applied to transactions relevant to the period after the date of the policy change.

The Newcastle lease is due to expire by August 2023, and as at 1 April 2022 we estimate the value of the asset and liability which may be recognised to be approximately £307,000.

IFRS 17 (Insurance Contracts) was issued in May 2017, replacing IFRS 4 (Insurance Contracts). The effective date of IFRS 17 in the public sector is for accounting periods beginning on or after 1 January 2023. IFRS 17 requires that insurance liabilities be measured at the present value of future insurance cash flows, resulting in more uniform measurements and presentation for all insurance contracts. Management has assessed the likely effect of the new standard and has concluded that there are no material assets or liabilities recognised as insurance contracts in the NAO, and therefore this standard will have no impact on the NAO financial statements.

1.4 Financing

The NAO covers some of its expenditure by charging fees for certain financial audit assignments and other services. These are recorded as income in the Statement of Comprehensive Net Expenditure and disclosed in Note 6.

All remaining expenditure is financed from amounts approved by Parliament through the annual Appropriation Act and is credited directly to the General Fund and recorded in the Statement of Changes in Taxpayers' Equity.

Accounting policies for expenditure

1.5 Staff costs

Staff costs include wages and salaries, social security costs and pension costs. All short-term staff costs payable at the year end, which will be paid within one year from the date of reporting, are recognised in the Statement of Comprehensive Net Expenditure. These include any accrued leave entitlements.

1.6 Pensions

Most past or present employees are covered by the provisions of the civil service pension arrangements, which are defined benefit schemes open to participating public sector bodies in which the benefit the employee receives during retirement is dependent on factors such as age, length of service and salary. These schemes are administered by MyCSP on behalf of the Cabinet Office. The NAO pays contributions into these schemes at an agreed rate. As one of many participating organisations, the NAO is not able to identify its share of any liability for making future pension payments to members and, accordingly, the NAO accounts for this as if it were a defined contribution scheme and recognises the costs of these contributions when they fall due.

Employees may opt to join a personal stakeholder pension scheme instead. These are defined contribution schemes where the NAO pays established contribution rates into a separate fund. The amount of pension benefit that a member receives in retirement is dependent on the performance of the fund. The NAO recognises the cost of these contributions in the Statement of Comprehensive Net Expenditure when they fall due. There is no further payment obligation for the NAO once the contributions have been paid.

1.7 Early departure costs

Where the NAO ends the employment of a staff member and makes a compensation payment within the rules of the Civil Service Compensation Scheme (CSCS), the cost of that payment is recognised in full in the year the individual accepts the terms of the compensation payment.

1.8 Leases

The NAO only holds one finance lease, which is a long lease for the London property at a peppercorn rent. The NAO has operating leases for use of property in Newcastle and other office equipment. Payments in relation to operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis. Future payment commitments under operating leases are disclosed in Note 11. The accounting policy will be amended by IFRS 16 (Leases) adopted by the FReM with effect from 1 April 2022. The impact of the new standard has been disclosed in Note 1.3.

1.9 Value Added Tax on purchases

The NAO partially recovers the VAT it pays on its expenditure by using a methodology agreed with HM Revenue & Customs (HMRC) and, consequently, it is difficult to attribute VAT recoverable to specific items of expenditure. Therefore, all expenditure disclosed in Note 4 includes any VAT paid and VAT recoverable is shown separately.

1.10 Corporation tax

As a body corporate, the NAO is considered to be liable for corporation tax on rental income earned. The tax expense is recognised in the Statement of Comprehensive Net Expenditure.

Accounting policies for income

1.11 Revenue from contracts with customers

The NAO charges fees for financial audits and other services where it is permitted to do so under legislation. In line with the FReM, the NAO has applied the requirements of IFRS 15 (Revenue from Contracts with Customers) to income earned from fee-paying audits and other services. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time. Further information on revenue from contracts with customers is set out in Note 6.

1.12 Secondment income

At times, the NAO secondments staff to other organisations. Depending on the arrangement, the NAO seeks to recover part or all of the associated salary costs of the staff member on secondment.

1.13 Rental income

The NAO rents parts of its London property to third parties. Rental income is recognised as it falls due at the agreed rate per square foot. Any financial incentives offered, such as rent-free periods, are accounted for separately and apportioned across the non-cancellable term of the lease. Rental income includes a service charge levied on an annual basis to recover central costs borne by the NAO.

1.14 Apprenticeship Levy

The NAO can make use of eligible Apprenticeship Levy funds to meet the costs of providing training for its employees. The FReM requires the use of such funds to be treated as a government grant, with grant income recognised at the same point in time that an associated expense for training services is incurred.

1.15 Value Added Tax on sales

Where output tax is chargeable, income is stated net of VAT. The NAO does not charge VAT for any work it carries out under statute.

Accounting policies for assets and liabilities

1.16 Property, plant and equipment and intangible assets

Expenditure of £5,000 or more on property, plant and equipment or intangible assets is capitalised where it is expected to bring benefit over future years. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition.

All non-current assets are reviewed annually for impairment and are carried at fair value. Property, plant and equipment is depreciated, and intangible assets amortised, on a straight-line basis over their useful lives to ensure that they are reported at their estimated residual value at the end of their lives.

Property, plant and equipment

Land, buildings, plant and machinery are stated at their current value with reference to a professional valuation carried out at the end of each financial year. All non-property operational assets are valued based on depreciated historic cost as a proxy for fair value. This is because these are relatively short-life or low-value assets whose values do not fluctuate significantly over the period they are in use.

Remaining asset lives are in the following ranges:

Land	Non-depreciable
Building elements	39–61 years
Plant and machinery	9–18 years
Computers and other equipment	2–10 years
Furniture, fixtures and fittings	5–20 years

Intangible assets

An intangible asset is an asset that is not physical in nature. In the NAO, intangible assets consist of licences for the rights to use software or the costs of developing our own software. Intangible assets are amortised on a straight-line basis over their useful economic life.

Asset lives are in the following ranges:

Internally developed software	2–10 years
Software licences	2–10 years

Software licences

When the NAO purchases perpetual software licences that it owns outright, the licences are recognised as an intangible asset at the point the licences are delivered to the NAO and the NAO can obtain benefit from them.

Internally developed software

When the NAO develops its own software, an intangible asset is recognised in line with IAS 38 (Intangible Assets) when the NAO is able to demonstrate that:

- it is technically feasible to complete the software so that it is available for use, and the NAO intends to use it;
- there are sufficient resources available to complete the development;
- it will be available for use and will generate future economic benefits; and
- the costs of the development can be measured reliably.

Research costs associated with development projects are expensed as incurred; this includes any market engagement and analysis activities and any related procurement or project management costs associated with the research phase.

Cloud computing services

When the NAO makes payments in respect of the use of cloud computing services purchased from a third-party service provider (which may include licences for the use of software, the use of an operating environment in which the NAO can develop its own software, or the use of digital processing capability), then these are not capitalised as the NAO has no legal title to, or rights to control of, the underlying assets associated with these services. This includes associated implementation costs, such as customisation, configuration or training services, which enable the NAO to benefit from the cloud computing service.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise current balances held at the Government Banking Service. Any amounts held in a foreign currency are translated into sterling at the exchange rate on the date of reporting.

1.18 Contract receivables and trade receivables

Contract receivables are amounts invoiced and due in respect of fee-paying audit assignments or other services.

Trade receivables are amounts invoiced and due in respect of secondments of NAO staff to other organisations and rental income.

1.19 Contract assets (accrued income) and liabilities (payment on account)

Contract assets (accrued income) relate to our enforceable right to consideration for our completed performance in respect of fee-paying audit assignments or other services which have not yet been invoiced. It is determined on the basis of percentage completion of contractual work, less any provision for unrecoverable amounts.

Payments received in advance of completed performance are recognised as contract liabilities (payment on account). This is then recognised as income as work is performed.

Accounting estimates and judgements

1.20 Contract assets (accrued income) – management estimate

In order to calculate the income to be recognised in respect of audit services, the NAO estimates the stage of completion of each audit so that income can be recognised progressively as services are provided. The stage of completion is determined with reference to the proportion of total budgeted costs which have been incurred at the reporting date. This percentage completion rate is then applied to the audit fees to allocate income to the reporting period, less any provision required for unrecoverable amounts. The future budgeted costs and audit fees of a project are based on estimates provided by individual project managers, which are derived from their experience of prior year audits and knowledge of the audit bodies.

Further information on accrued income is provided in Note 6 of the financial statements.

1.21 Property valuation – management judgement

The NAO accounts for its London property (which is on a lease of 130 years) as if it owned the building. Each year the NAO considers the fair value of this property, and whether there has been a change year-on-year.

The NAO uses a professional valuer to help arrive at these estimates, who considers expected future rental rates of return and rental values per square foot. The value is apportioned between land and components of the building using an apportionment ratio consistent with longer-term trends. More information on this valuation, along with an analysis of the sensitivity of the valuation to changes in underlying assumptions, is included in Note 7.

Any change in the value of the building is accounted for through the Revaluation Reserve. The NAO does not apply a different accounting treatment to those floors of the building sub-let to third parties. Following the provisions of IAS 40 (Investment Property), as adapted by the FReM, the NAO's judgement is that it is not appropriate to account for these elements separately as investment property because a significant portion of the building is owner-occupied and primarily held for the operation of the NAO. If it were to do so, then changes in values of the sub-let parts of the building would be accounted for through the Statement of Comprehensive Net Expenditure.

1.22 Financial audit methodology and tools development – management judgement

The Audit Transformation Programme (ATP) is a change programme to shape the future of the NAO's financial audit approach. The ATP involves overhauling the NAO's financial audit methodology, implementing new audit software and leveraging IT audit and data analytics.

Costs have been incurred during 2021-22 to deliver the following outputs as part of the ATP:

- an updated audit methodology, including written policies and guidance and standardised tools and templates;
- content (knowledge) libraries of defined risks and audit responses; and
- a Risk Assessment and Planning Tool (RAPT), which is a customised application developed in-house using the Power Apps platform.

Costs incurred from 14 May 2021 onwards to develop the RAPT have been capitalised as an intangible non-current asset under IAS 38. Costs incurred prior to 14 May 2021 relating to the RAPT, along with the costs relating to the other ATP items listed above, have been recognised as in-year expenditure. The basis for these judgements is set out below.

- The NAO's updated audit methodology is not considered to constitute an identifiable asset, because it is neither a resource capable of being separated or divided from the NAO nor one that arises from contractual or other legal rights.
- Costs incurred to develop the content libraries are considered to be research expenditure because, at the point of developing this content, the NAO was not able to demonstrate that an identifiable intangible asset existed that would generate probable future economic benefits. These costs have therefore been recognised as an expense in accordance with IAS 38. The standard does not permit expenditure on an intangible item that has been initially recognised as an expense to be recognised as part of the cost of an intangible asset at a later date, so these costs will not subsequently be capitalised in any future period.
- Prior to 14 May 2021, the NAO incurred research costs that involved developing the concept of a RAPT and determining how this would be used in the revised audit methodology. At this stage, the NAO did not have a demonstrable intention to complete and use the RAPT, so these costs did not meet the criteria for capitalisation of an intangible non-current asset arising from the development phase of an internal project. Costs incurred relating to the RAPT before 14 May 2021 were therefore expensed.
- The NAO took a decision to proceed with development of the RAPT on 14 May 2021. The RAPT is considered to have met the criteria in IAS 38 for capitalisation of an intangible non-current asset from that date. This decision is a past event, as a result of which the NAO controls the resources embodied within the RAPT from which future economic benefits are expected to flow to the NAO. These future economic benefits derive from more efficient delivery of audits that are compliant with International Standards on Auditing (UK), which have recently been substantially revised. These activities generate revenue from fee-paying audit clients and Supply funding from Parliament for the NAO's statutory audit work. The RAPT is an identifiable asset which the NAO controls, because it has the contractual right to use the configuration within the RAPT system platform.

2 National Audit Office operating segments

2021-22

	Audit and assurance	Value-for-money and wider assurance work	Knowledge	Support to Parliament	International relations	Comptroller function	Voted	Non-voted	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	71,850	17,805	7,603	5,526	699	171	103,654	293	103,947
Contract income	(22,996)	-	-	-	(271)	-	(23,267)	-	(23,267)
Other income	(1,506)	(373)	(159)	(116)	(15)	(4)	(2,173)	-	(2,173)
Net expenditure	47,348	17,432	7,444	5,410	413	167	78,214	293	78,507

2020-21

	Audit and assurance	Value-for-money	Investigations and insight	Support to Parliament	International relations	Comptroller function	Voted	Non-voted	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross expenditure	67,469	16,671	8,239	5,117	829	126	98,451	293	98,744
Contract income	(21,858)	-	-	-	(44)	-	(21,902)	-	(21,902)
Other income	(1,847)	(457)	(226)	(140)	(23)	(3)	(2,696)	-	(2,696)
Net expenditure	43,764	16,214	8,013	4,977	762	123	73,853	293	74,146

Notes

- Voted expenditure and income is allocated to the NAO by a Parliamentary vote each year through the Supply and Appropriation Act. The NAO reports the use of this expenditure and income under its main operating segments about which further information can be found in the Performance Report on pages 88 to 93. Our value-for-money and wider assurance work now includes our response work, which was previously known as investigations and on which we spent £1.8 million in 2021-22 (2020-21: £1.4 million). Our knowledge objective which replaces 'insight' now focuses on our plans to invest in our knowledge management processes and systems, and provide specific expertise to support reports and activities, drawing together lessons learned for our audited bodies and Parliament.
- Non-voted expenditure comprises the C&AG's and chair's salaries and is paid directly from the Consolidated Fund. This is outside of the control of the NAO and is not subject to the same annual parliamentary approval process.
- Contract income includes fees charged on UK and international audits, costs recovered on the NAO's outward secondment programme to support Parliament and other government bodies, and fees charged for some of the NAO's international relations work. Other income cannot be directly attributed to the NAO's operating segments and has been apportioned between them in line with gross expenditure.
- The chief operating decision body of the NAO is considered to be the Executive Team and details of its membership can be found on page 101. Due to the integrated nature of the NAO's activities, it is not possible to distinguish meaningfully between assets and liabilities attributable to the different operating segments and therefore the Executive Team does not receive information on assets and liabilities by operating segment. For this reason, in line with IFRS 8 (Operating Segments), no such analysis is presented here.

Source: National Audit Office

3 Staff costs¹

	2021-22			2020-21
	Total	Permanent	Temporary	Total
	£000	£000	£000	£000
Wages and salaries	53,806	49,913	3,893	50,645
Social security costs	5,927	5,927	-	5,622
Pension costs	13,714	13,714	-	13,054
Gross costs	73,447	69,554	3,893	69,321
Secondment income	(178)	(178)	-	(154)
Net costs	73,269	69,376	3,893	69,167

Note

1 Details on staff numbers and related costs can be found in the Remuneration and Staff Report on pages 137 to 138.

Source: National Audit Office

4 Purchase of goods and services

	2021-22		2020-21	
	£000	£000	£000	£000
Professional services	15,059		14,080	
Audit technology ¹	2,076		2,191	
Facilities management	5,024		5,128	
Travel, subsistence, hospitality	228		88	
Digital services	3,469		2,813	
Recruitment and training	1,372		1,543	
Staff-related costs	552		484	
External auditors – audit fee ⁴	60		65	
– other work	42		46	
Other administration costs	410		665	
Operating lease rentals	218		172	
VAT recoverable ²	(1,318)		(1,478)	
Total voted costs		27,192		25,797
Comptroller and Auditor General salary ³	249		249	
Chair salary ³	44		44	
Total non-voted costs		293		293
		27,485		26,090

Notes

- 1 The NAO is undertaking a programme called 'Audit Transformation Programme' to shape the future of our audit approach. This spend therefore includes costs associated with developing and implementing our new audit software and methodology.
- 2 The NAO partially recovers VAT on its expenditure on an agreed methodology with HMRC, therefore VAT recovered cannot be directly attributed to specific expenditure and has been disclosed separately.
- 3 The Comptroller and Auditor General and chair's salaries include employer social security costs.
- 4 External audit costs recognised in 2020-21 include £8,280 of costs relating to the audit of the 2019-20 Annual Report and Accounts that were agreed after the 2019-20 Annual Report and Accounts were authorised for issue. These additional costs relate to auditor's work associated with the impact of the COVID-19 pandemic.

Source: National Audit Office

5 Non-cash costs

	2021-22		2020-21	
	£000	£000	£000	£000
Depreciation on property, plant and equipment	1,800		2,001	
Depreciation on other items	1,057		1,011	
Amortisation on intangible assets	59		86	
Total depreciation		2,916		3,098
Loss on disposal		1		-
Total non-cash costs		2,917		3,098

Source: National Audit Office

6 Income

In line with its accounting policy, the NAO has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.

Identification of a contract

The basis of the different streams of audit work are set out below.

Audit income stream	Basis for identifying a contract	Performance obligation
Statutory audit	For those audits where we are appointed auditors under statute and we charge a fee directly to the body. There is no legal contract with fee-paying statutory audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income. The contract is deemed to be as set out in the Letter of Understanding between the NAO and the audited body.	Issue a certificate and report of the C&AG to Parliament.
Agreement audit (including international audits)	For those audits where we are appointed auditors by the organisation's board under their own governance arrangements and have a contract with them in the form of a Letter of Engagement.	Issue a certificate and report of the C&AG to Parliament.
Companies Act audit	For these audits, we are appointed auditors by the board of the organisation under the Companies Act 2006 and therefore have a contract with them in the form of a Letter of Engagement.	Issue an independent auditor's report to the members of the company.
International relations	For these assignments we contract with international bodies to provide advisory and capacity-building services.	Issue a report or advice as per the terms of the engagement.

Identification of performance obligations

The NAO has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in the Letter of Understanding or Letter of Engagement, or contract for services in the case of other services provided to international bodies. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion; they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.

Determination of when performance obligations are satisfied

The NAO has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the NAO's performance of the engagement does not create an asset with an alternative use to the NAO and the NAO has an enforceable right to payment for performance completed to date.

The majority of the NAO's financial audits are on an annual cycle. The fee (which is based on estimated costs to the NAO) and invoicing schedule is agreed between the individual assignment teams and the client. The NAO is entitled to recover costs in respect of work completed to date at any stage of the audit. The typical schedule is to invoice audits with fees of more than £50,000 in two instalments and all other audits are invoiced when the audit is complete. The payment terms are that audit fee invoices should be paid within 30 days. Contracts for audit services do not have a significant financing component and the consideration amount is not variable except in respect of fee increases where it has become necessary to perform additional work.

Allocation of transaction price to performance obligations

Revenue is recognised in relation to percentage completion against budgeted costs. Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time, travel expenses and other costs incurred represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

	2021-22	2020-21
	£000	£000
Contract income		
Audit and assurance		
Statutory audit income	10,986	10,322
Agreement audit income	5,623	6,450
Companies Act audit income	6,387	5,086
	22,996	21,858
International relations	271	44
Total contract income	23,267	21,902
Other income		
Secondment income	178	154
Rental of office space	1,926	2,473
Grant income	69	69
Total other income	2,173	2,696
Total income	25,440	24,598

Notes

- 1 Included within contract income earned for the year is £1,667,000 (2020-21: £1,961,000) which had been received in advance at the last reporting date and had been included as a contract liability (payment on account) in the prior year Statement of Financial Position.
- 2 Included within contract income is £800,000 in relation to changes in fee quotes to audits that were in progress at the previous reporting date. The effect of these changes has been included in the revenue figure for the year. The prior year equivalent was an increase of £1,048,000.
- 3 As at the current reporting date, we expect to earn future income of £15,787,000 (2020-21: £15,353,000) for audits which are currently in progress. The typical audit cycle is a year and therefore we expect to recognise the majority of this income in the next reporting period.

Source: National Audit Office

7 Property, plant and equipment

	2021-22					Total
	Land	Buildings	Plant & machinery	Computers & other equipment	Furniture fixtures & fittings	
	£000	£000	£000	£000	£000	
Cost or valuation						
At 1 April 2021	38,000	33,749	16,315	5,964	3,645	97,673
Additions	-	-	-	790	135	925
Disposals	-	-	-	(30)	-	(30)
Reclassification	-	-	-	-	-	-
Revaluation	428	622	300	-	-	1,350
Impairment	-	-	-	-	-	-
At 31 March 2022	38,428	34,371	16,615	6,724	3,780	99,918
Depreciation						
At 1 April 2021	-	-	7	4,052	2,884	6,943
Charged in year	-	779	1,021	940	117	2,857
Disposals	-	-	-	(29)	-	(29)
Reclassification	-	-	-	-	-	-
Revaluation	-	(779)	(1,015)	-	-	(1,794)
Impairment	-	-	-	-	-	-
At 31 March 2022	-	-	13	4,963	3,001	7,977
Net book value						
At 31 March 2022	38,428	34,371	16,602	1,761	779	91,941
At 31 March 2021	38,000	33,749	16,308	1,912	761	90,730

Notes

- The NAO obtains a professional valuation of its land and buildings each year. The NAO London headquarters is valued using the valuation techniques in the RICS Valuation – Global Standards 2020 ('The Red Book') and UK National Supplement (2019) to estimate the existing use value of the portion of the building occupied by the NAO and the market value of the portion that is available for occupation by tenants. The valuers have regard to the building's location, style, part sub-let/part owner-occupied nature and prevailing market conditions, as well as the rents paid for other office spaces on the market. The valuers apportion the total value of the property between the land and building elements.
- Montagu Evans (independent property consultants and surveyors and a member of the Royal Institute of Chartered Surveyors (RICS)) valued the land, building and plant and machinery at £89 million as at 31 March 2022 (31 March 2021: £88 million).
- The net effect of the revaluation (after the annual depreciation charge) was an increase of £3.1 million, which was accounted for through the Revaluation Reserve.
- The valuation is sensitive to changes in the underlying assumptions. The key sensitivities are as follows:
 - A change in rental yield of 0.5% could lead to a change in the value of the building of between £3.7 million and £12.5 million.
 - A change in market rental value by £1 per square foot could lead to a change in the value of the building of between £3.1 million and £7.3 million.
- Further information on the key judgements relating to the valuation is provided in Note 1.21.

7 Property, plant and equipment *continued*

	2020-21					Total
	Land	Buildings	Plant & machinery	Computers & other equipment	Furniture fixtures & fittings	
	£000	£000	£000	£000	£000	
Cost or valuation						
At 1 April 2020	43,590	39,291	18,945	5,055	3,499	110,380
Additions	-	-	38	909	146	1,093
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluation	(5,590)	(5,542)	(2,668)	-	-	(13,800)
Impairment	-	-	-	-	-	-
At 31 March 2021	38,000	33,749	16,315	5,964	3,645	97,673
Depreciation						
At 1 April 2020	-	-	-	3,158	2,767	5,925
Charged in year	-	886	1,115	894	117	3,012
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluation	-	(886)	(1,108)	-	-	(1,994)
Impairment	-	-	-	-	-	-
At 31 March 2021	-	-	7	4,052	2,884	6,943
Net book value						
At 31 March 2021	38,000	33,749	16,308	1,912	761	90,730
At 31 March 2020	43,590	39,291	18,945	1,897	732	104,455

Source: National Audit Office

8 Intangible assets

	2021-22		
	Internally developed audit software	Other intangible assets	Total
	£000	£000	£000
Cost			
At 1 April 2021	-	742	742
Additions	942	13	955
Disposals	-	-	-
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2022	942	755	1,697
Amortisation			
At 1 April 2021	-	658	658
Charged in year	-	59	59
Disposals	-	-	-
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2022	-	717	717
Net book value			
At 31 March 2022	942	38	980
At 31 March 2021	-	84	84
2020-21			
	Internally developed audit software	Other intangible assets	Total
	£000	£000	£000
Cost			
At 1 April 2020	-	765	765
Additions	-	-	-
Disposals	-	(23)	(23)
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2021	-	742	742
Amortisation			
At 1 April 2020	-	595	595
Charged in year	-	86	86
Disposals	-	(23)	(23)
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2021	-	658	658
Net book value			
At 31 March 2021	-	84	84
At 31 March 2020	-	170	170

Note

- 1 Internally developed audit software consists of the Risk Assessment and Planning Tool (RAPT) delivered as part of the Audit Transformation Programme. Other intangible assets consist of licences for the rights to use software or the costs of developing our own non-audit related software.

9 Trade and other receivables

	2021-22	2020-21
	£000	£000
Amounts falling due within one year:		
Contract receivables	1,510	2,500
Trade receivables	492	11
Deposits and advances	24	30
Other receivables	126	77
Contract assets – accrued income	1,577	2,518
Prepayments	3,223	2,996
	6,952	8,132
Amounts falling due after more than one year:		
Other receivables	57	118
	57	118
Total	7,009	8,250

Notes

- There were no impairment losses and nil loss allowance for expected credit losses on any receivables or contract assets in 2021-22 (2020-21: loss allowances for expected credit losses of £199,000 relating to a single receivable and nil on any contract assets). Other receivables include lease incentives granted to tenants of our London office.
- The trade and other receivables figure under current assets in the Statement of Financial Position is the total of amounts falling due within one year from Note 9, excluding contract assets – accrued income, which is shown in a separate line.

Source: National Audit Office

10 Trade and other payables

	2021-22	2020-21
	£000	£000
Amounts falling due within one year:		
Amounts payable to HMRC	121	330
Trade payables	20	47
Other payables	62	105
Accruals	6,174	6,404
Contract liabilities – payments received on account	1,739	1,667
	8,116	8,553
Amounts issued from the Consolidated Fund for supply but not spent at year end	291	1,551
Total	8,407	10,104

Notes

- Other payables include lease incentives on the lease for our Newcastle office.
- The trade and other payables figure under current liabilities in the Statement of Financial Position is the total of amounts falling due within one year from Note 10, excluding contract liabilities – payments received on account, which is shown in a separate line.

Source: National Audit Office

11 Commitments under leases

	2021-22	2020-21
	£000	£000
Aggregate minimum lease payments are as follows:		
Obligations under operating leases comprise:		
Land and buildings:		
Payable within 1 year	218	218
Payable later than 1 year and not later than 5 years	91	308
	309	526
Other:		
Payable within 1 year	4	10
	4	10

Note

- 1 The amounts shown above under land and buildings relate to the NAO's commitments as lessee under its lease for the Newcastle office building.

Source: National Audit Office

12 Future income due under non-cancellable operating leases

	2021-22	2020-21
	£000	£000
Land and buildings		
Receivable within 1 year	1,142	1,389
Receivable later than 1 year and not later than 5 years	444	713
Total	1,586	2,102

Note

- 1 The lease information above relates to the letting of office space in the London headquarters building. The balance above reflects the cash payments expected over the remaining non-cancellable term of each lease. A separate service charge is also levied (and is included in rental income in Note 6) to recover the cost of utilities and other facilities costs borne by the NAO. This charge is not included within the figures above as it varies annually.

Source: National Audit Office

13 Financial instruments

The NAO's resource requirements are met from Parliament through the Estimates process and from income. The NAO has no powers to borrow money or to invest surplus funds. The only financial instruments held by the NAO are those which arise from the NAO's day-to-day operational activities and include trade and other receivables (Note 9) and trade and other payables (Note 10). The carrying value of the financial instruments approximates to their fair value and the NAO is exposed to limited credit, liquidity or market risk.

All financial assets and financial liabilities recognised in Notes 9 and 10 are measured at amortised cost.

Liquidity risk

The NAO's net revenue resource requirements and capital expenditure are financed by resources voted annually by Parliament or through fees charged to bodies funded by Parliament. The NAO is therefore not exposed to material liquidity risks.

Credit risk

The NAO charges fees for both audit and other services. There has been no history of default on any amounts due to the NAO and management assess its counterparties not to present a significant credit risk. Management has assessed the NAO's credit exposures:

- The majority of bodies for which the NAO charges for audit services are government-owned companies and other public bodies. These are guaranteed or receive funding from Parliament. The NAO has assessed that the related receivables are not subject to material credit risk because the majority of NAO clients continue to deliver required public services that are expected to be funded by Parliament. The NAO has not observed any trend of delays or failure to make payment during 2021-22.
 - Amounts due from audit bodies in respect of work invoiced as at 31 March 2022 were £2.0 million (31 March 2021: £2.9 million).
- The NAO also rents out space in its London building to third parties, for which it charges quarterly. Management has concluded that the NAO is not exposed to significant credit risk from rental income. Where a risk has been identified, management has recognised a provision for non-payment in line with accounting standards.

The amounts expected to be recovered have been reflected in the rent receivables recognised, as adjusted for the loss allowance for expected credit losses recognised in accordance with IFRS 9. There was nil loss allowance on income receivable for 2021-22 (2020-21: one rental income receivable subject to a loss allowance).

Foreign currency risk

From time to time, the NAO has some exposure to foreign currency markets because fees for some international work are denominated in US dollars or euros. Before pricing or commissioning work, the NAO seeks to identify the potential exposure to exchange rate variations and to manage the risk accordingly. The NAO does not maintain significant assets or liabilities in foreign currency, except for minor operational cash balances to meet short-term costs of overseas assignments. There is no material foreign currency exposure risk as at 31 March 2022 (there was no material foreign currency exposure as at 31 March 2021).

14 Related-party and other transactions

The NAO is headed by the Comptroller and Auditor General and was established as a body corporate by the Budget Responsibility and National Audit Act 2011. The NAO is independent of government and is accountable to Parliament through the Public Accounts Commission. The NAO does not have any related-party relationships as defined by IAS 24 (Related-Party Disclosures).

The NAO does have transactions with government departments and central government bodies which are also audited by the NAO. These are not related-party transactions but, given the role of the NAO, they may be of interest to users of the financial statements and have been disclosed for the purposes of transparency. These transactions consist of the following:

- The provision of accommodation, training courses and the hosting of seminars for public sector bodies for which the NAO may charge a fee. The amounts are not material to the parties involved.
- The NAO provides capacity-building services to other Supreme Audit Institutions and receives funding to cover the costs of this work. The funding can come from many sources but may be directly from government bodies. In 2021-22 the NAO raised invoices of £125,581 to the Foreign, Commonwealth & Development Office and its contractors (2020-21: £82,543 from the Foreign, Commonwealth & Development Office and its contractors).
- Routine transactions with HMRC to meet statutory taxation requirements and with the Cabinet Office, which operates the Principal Civil Service Pension Scheme.
- Contractual relationships with organisations who occupy space in the NAO's headquarters building and pay rental to the NAO on commercial terms. Before we enter into agreements we assess the ethical considerations of these relationships and make sure that safeguards are in place to preserve the independence of the C&AG. Further information on these transaction values is set out in the table opposite.

Party	Nature of relationship with the party	Rent and service charge earned	
		2021-22	2020-21
Professional Standards Authority for Health and Social Care (formerly Council for Healthcare and Regulatory Excellence)	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since October 2010.	£324,096	£324,096
Ordnance Survey	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since January 2012.	£335,753	£331,111
Home Office	Central government department audited by the NAO. Occupied part of the NAO's headquarters building from May 2018 until April 2021.	£25,014	£493,831

15 Events after the reporting period

There are no events after 31 March 2022 that require an adjustment to the financial statements and no non-adjusting events for which additional disclosure in the financial statements is required.

The Accounting Officer authorised these financial statements for issue on 21 June 2022.

Statement of National Audit Office financial impacts

The Statement of Financial Impacts represents our estimate of the financial benefits achieved in 2021 following the implementation of our recommendations to government. Financial impacts arise where there is a direct link between our work and a quantifiable beneficial change in an audited body. Financial impacts must be either:

- cashable, reducing expenditure or increasing revenue;
- non-cashable, leading to improvements in public sector efficiency through improved quality or service delivery; or
- represent benefits to third parties.

We record an impact only when the related benefit has been brought about, when it has data to substantiate the benefit, and when the audited body gives its agreement. Because of this high threshold, there is usually a time lag between making recommendations and the impact being recorded.

In calculating the value of impacts, we deduct any implementation costs incurred directly by the audited body or indirectly by other parties.

Not all impacts can be quantified precisely, including those related to qualitative efficiency gains and wider economic benefits. In these instances, we base the financial impact on careful judgement and estimation. Our recommendations are not always separable from other influences. In these cases, we agree on a proportion of an overall financial impact with the audited body, based on an assessment of the likely level of influence of its work.

The statement of impacts has been prepared in accordance with internal guidance. Estimates are subject to internal quality assurance review by senior management and internal audit. The Executive Team endorses all impacts.

We report impacts on a calendar year basis; applying the following principles:

- **Causation** – there must be a causal link between work conducted by us and the benefit.
- **Realisation** – impacts must have been realised within, or before, the calendar year in which they are reported.
- **Valuation** – reliable evidence or data support claims, and implementation costs are acknowledged. There must be a robust methodology to value the impact.
- **Attribution** – the proportion of impact claimed should reflect the degree of our contribution to the benefit realised.
- **Validation** – all impact claims must be validated by the audited body concerned (at a sufficiently senior level) and approved internally.

Figure 31

2021 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value (£)	Nature of impact	Year of claim	Audited body with whom impact agreed
<p>Asset sales</p> <p>A series of NAO reports contributed, alongside other influences such as improved public finances and changes to accounting practices, to government's decision to adjust its asset sales approach.</p>	332,000,000	One-off	–	HM Treasury, UK Government Investments and Department for Education
<p>Wider government adoption of commercial frameworks</p> <p>Wider use by government and public sector bodies of the Crown Commercial Service's procurement frameworks generated increased commercial benefits and better value for money.</p>	227,000,000	Recurring	2 of 3	Crown Commercial Service
<p>NHS Property Services – reduction in outstanding debt</p> <p>Improvements in billing, better engagement with customers, and closer working to resolve issues more quickly, have together helped reduce outstanding debt.</p>	101,200,000	Recurring	1 of 4	Department of Health & Social Care and NHS Property Services
<p>Errors in Employment and Support Allowance</p> <p>Increase in Employment and Support Allowance (ESA) paid correctly to claimants following correction of a systemic underpayment error affecting people whose benefits transferred to ESA from older incapacity benefits.</p>	99,000,000	Recurring	4 of 7	Department for Work & Pensions
<p>Electricity Networks</p> <p>Our work contributed to the reduction of the cost of capital for electricity network companies resulting in lower consumer costs.</p>	64,800,000	Recurring	1 of 8	Office of Gas and Electricity Markets
<p>Improvements in targeting of Packaging regulation enforcement</p> <p>Improved targeting of Environment Agency inspections resulted in a reduction in the number of Packaging Recovery Notes issued fraudulently or in error.</p>	18,500,000	One-off	–	Department for Environment, Food & Rural Affairs and the Environment Agency

Figure 31 *continued*

2021 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value (£)	Nature of impact	Year of claim	Audited body with whom impact agreed
Online VAT fraud Overseas sellers failing to charge VAT on online sales – impact of HM Revenue & Customs measures in tackling online VAT fraud and error.	15,000,000	Recurring	4 of 4	HM Revenue & Customs
PFI in Housing Cashable savings realised through reduced PFI contract values in the Ministry's housing portfolio.	6,982,371	Recurring	10 of 10	Department for Levelling Up, Housing & Communities
Subtotal	£864 million			
Impacts below £5 million	£10 million			
Total financial impacts	£874 million			

Note

1 The column may not add up due to rounding.

Source: National Audit Office

Independent statement to the Public Accounts Commission

The Accounting Officer, on behalf of the Public Accounts Commission, has asked us to carry out an independent review of the Statement of Financial Impacts for 2021.

Respective responsibility of the Accounting Officer and the Auditors

The Accounting Officer is responsible for the measurement, assessment and reporting of the financial impacts achieved by the National Audit Office and ensuring that the principles for claiming impacts are applied in arriving at the total impact. We examine whether the information reported is reliable and fairly presented based on these principles and methodologies.

Scope of the review

In undertaking our review assurance is taken from the work performed by the NAO's internal auditor.

Our work comprises a review of the impacts claimed and supporting evidence relevant to those claims and the disclosures included in the Statement.

It also includes an assessment of the significant judgements made and whether the agreed principles have been appropriately applied by the National Audit Office in the Statement's preparation.

Opinion

In our opinion:

- The underlying principles as outlined in the Statement of Financial Impacts have been applied appropriately in the preparation of the Statement.
- The impacts noted are reasonably stated based on the underlying methodologies and assumptions under which the calculation is made, and have been agreed by the clients of the National Audit Office to which the impacts relate.
- Any impacts claimed over a period of more than one year have been reassessed and confirmed by the National Audit Office that the impacts remain appropriate.

Crowe U.K. LLP

Statutory Auditor
Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW
UK

Date: 21 June 2022

NEXT PAGE:
Annex: Sustainability data

Annex: Sustainability data

Figure 32

Greenhouse gas emissions, 2017-18 to 2021-22

		2017-18	2018-19	2019-20	2020-21	2021-22
Non-financial indicators (CO₂e)	Total gross emissions for scopes 1 and 2	1,488	1,159	1,019	770	712
	Total net emissions for scope 1	407	355	354	320	299
	Total net emissions for scope 2	1,082	805	665	449	413
	Gross emissions scope 3 – business travel	640	718	586	7	56
	Gross emissions scope 3 – waste	2.1	2.1	1.6	0.2	1.0
Related energy consumption (kWh)	Electricity: non-renewable	293,901	87,910	0	0	0
	Electricity: renewable	2,782,799	2,755,263	2,600,798	1,927,259	1,945,210
	Gas	2,207,653	1,927,693	1,927,438	1,741,963	1,634,373
Related business travel data (CO₂e)	Domestic air travel	34	33	32	0	2.8
	International air travel – short haul	29	45	28	1	3.6
	International air travel – medium/long haul	137	181	180	0	2.8
	Rail, underground or tram travel	131	113	59	1	11
	Road travel	24	31	28	5	11
	Accommodation	286	316	259	0	25
Financial indicators (£000)	Expenditure on energy	565	589	588	524	500
	Expenditure on electricity	518	536	531	470	456
	Expenditure on gas ¹	47	53	56	54	43
	Expenditure on official business travel	693	800	693	18	216

Notes

Data collection methodologies:

- 1 This does not include Newcastle Office gas expenditure as it is included in the service charge.
- 2 These data are not weather-adjusted.
- 3 London office data – scope 1 and 2: Calculated using first-hand data retrieved from the office's Building Management System. These data do not include the scope 1 and 2 emissions produced by NAO tenants. Tenants' electricity consumption is calculated based upon their metered supply. Gas is metered at its point of entry into the building and so the tenants' consumption is estimated based on the floor space they occupy.
- 4 Newcastle office data – scope 1 and 2: As in London, electricity is metered onto the office floor but gas is calculated as a percentage of occupied space.
- 5 Scope 3: Scope 3 emissions from the NAO's business travel are calculated by the NAO's travel management company and a report is provided on an annual basis. Scope 3 emissions from the NAO's business travel were amended in 2021-22 in line with improved measurement techniques.

Source: National Audit Office

Figure 33
Waste, 2017-18 to 2021-22

		2017-18	2018-19	2019-20	2020-21	2021-22
Non-financial indicators (tonnes)						
Total waste		117.0	118.4	96.7	9.7	54.9
Hazardous waste total		0.5	0.0	0.0	0.0	0.0
Non-hazardous waste	Landfill	0.0	0.0	0.0	0.0	0.0
	Re-used/recycled	52.8	54.1	33.2	3.8	34.7
	Composted	38.7	40.0	41.8	1.0	13.9
	Incinerated/energy re-used	25.0	24.2	21.8	4.9	6.3
Breakdown of waste	Paper	35.6	40.9	17.1	0.3	19.8
	Glass	1.0	1.4	1.6	0.0	0.9
	Food	38.7	40.0	41.8	1.0	13.9
	Mixed recyclables	16.2	11.7	12.8	3.4	13.6
	Non-recyclable	25.0	24.3	21.8	4.9	6.3
	Hazardous	0.5	0.0	1.7	0.0	0.5
Financial indicators (£000)						
Total disposal cost		31.8	34.1	36.9	31.7	35.8
Hazardous waste – total disposal cost		1.4	1.8	0.1	0.0	0.0
Non-hazardous waste – total disposal cost	Landfill	0.0	0.0	0.0	0.0	0.0
	Re-used/recycled	13.9	15.7	17.0	11.9	21.7
	Composted	3.8	3.8	4.3	5.2	1.8
	Incinerated/energy re-used	12.7	12.8	15.5	14.6	12.4
Breakdown of waste	Paper	4.3	5.9	6.1	7.5	4.2
	Glass	0.6	0.3	1.0	1.3	0.5
	Food	3.8	3.8	4.3	5.2	1.8
	Mixed recyclables	8.9	9.5	9.9	3.1	16.9
	Non-recyclable	12.7	12.8	15.5	14.6	12.4
	Hazardous	1.4	1.8	0.1	0.0	0.0

Notes

Data collection methodologies:

- 1 Amendments to waste cost data have been made in 2021-22 following identification of some minor errors in incinerated waste data.
- 2 London office waste data: The waste data above include waste generated by National Audit Office tenants. Waste disposal is outsourced to Mitie Waste and Environmental. Monthly reports detailing the weight of generated waste and a breakdown of waste by type are provided.
- 3 Newcastle office waste data: The landlord provides a general waste disposal service as part the lease's service contract and does not provide data on general waste. Disposal of all recycled waste is outsourced to Mitie Waste and Environmental. Monthly reports detailing the weight of generated waste and a breakdown by type are provided.

Source: National Audit Office

Figure 34
Water 2017-18 to 2021-22

		2017-18	2018-19	2019-20	2020-21	2021-22
Finite resource consumption – Water						
Non-financial indicators (m³)						
Water consumption	Supplied	6,195	4,685	5,426	2,643	2,226
	Abstracted	-	-	-	-	-
Financial indicators (£000)						
Water supply costs ¹		16.8	12.5	12.8	10.0	14.4

Notes

Data collection methodologies:

- 1 This does not include Newcastle Office water expenditure as it is included in the service charge.
- 2 London office data: Water consumption is calculated using data retrieved from the office's Building Management System. However, there are no separate meters for sublet space so water consumption includes tenant consumption and the calculation of the target ratio is based upon the number of building users (both NAO and tenant full-time equivalent).
- 3 Newcastle office data: As in London, water is metered into the building but not onto the office floor. For this office, consumption is calculated as a percentage of occupied space.

Source: National Audit Office



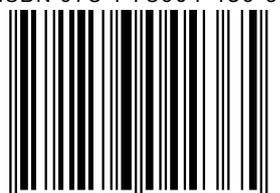
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