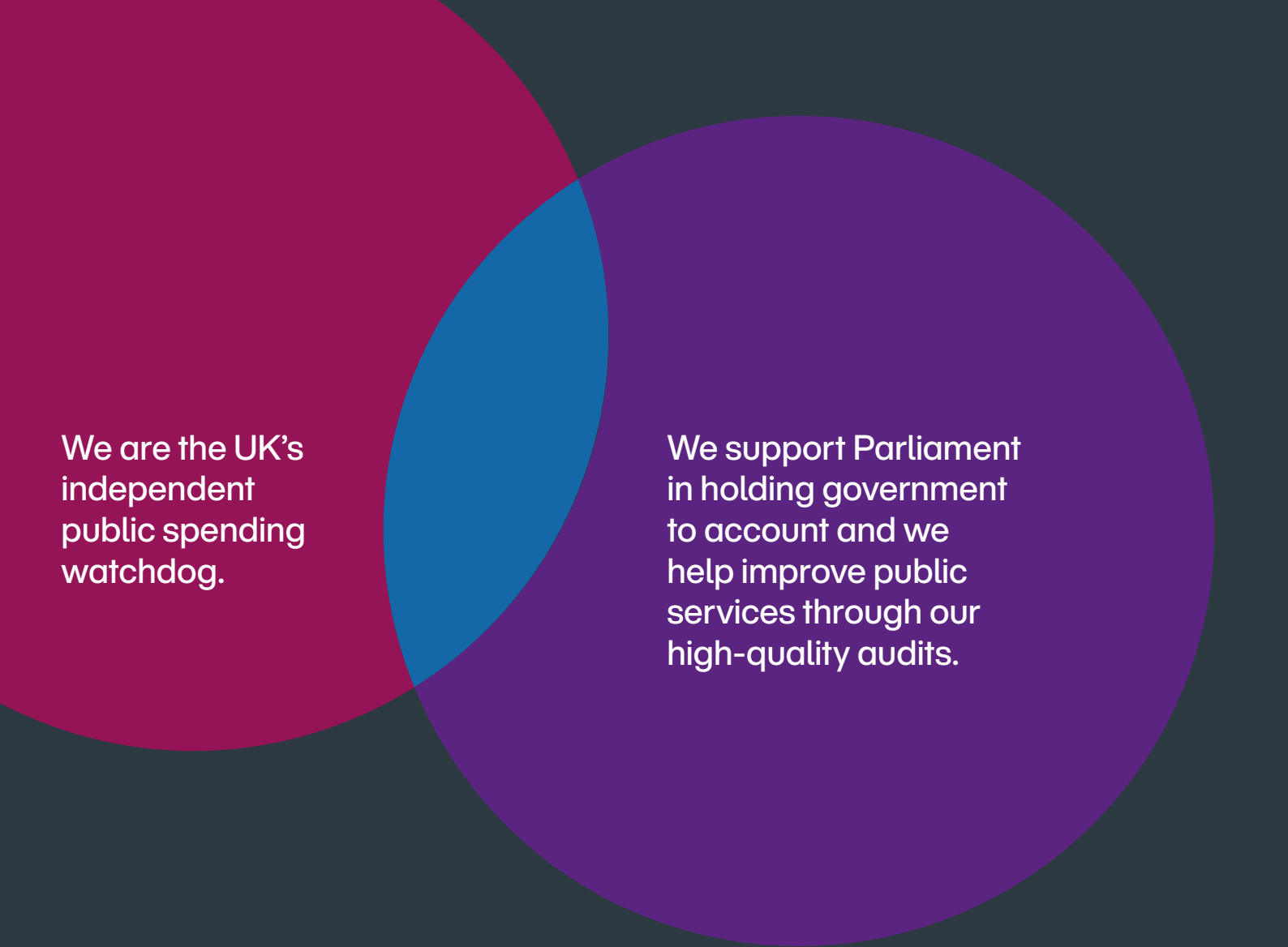




National Audit Office

Annual Report and Accounts 2022-23

29 JUNE 2023
HC 1515



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 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.



National Audit Office

Annual Report and Accounts 2022-23

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 28 June 2023

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

19 June 2023


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Highlights of the year

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



406

audit certifications published



62

value-for-money reports and wider assurance work published



63

Committee of Public Accounts sessions supported

Encouraged government to learn and embed lessons



10

departmental overviews published



70%

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

“

The Committee of Public Accounts (PAC) would not be able to do its work without NAO reports. However, it's not just the reports that help the Committee hold government to account for taxpayers, but the staff across Value for Money and Financial Audit who share their knowledge and insights with us.

We're privileged to work with the NAO

and it is recognised by MPs across all parties as a trusted source of insightful analysis.

”

Dame Meg Hillier MP, Chair of the Committee of Public Accounts

As a transparent organisation we also publish other corporate reports including our diversity pay gap report, transparency report and strategy progress update.

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



11

good practice guides published



94%

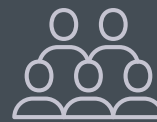
of MPs say we are effective at supporting Parliament to hold government to account and scrutinise public services

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



£7

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



7.6

out of 10: the score for our staff saying that they have the right technology and tools to do their work in this year's people survey

“

We think the NAO's role in presenting a balanced view of government departments' performance is absolutely fundamental to the democracy.

It is an absolutely vital role

and we really genuinely support it and appreciate it.

”

Finance director, NAO survey of senior officials in bodies we audit, 2022

1_

Performance report

“

Our focus on

impact, value for money,
effective scrutiny and
accountability

has never seemed so important and relevant, and our insight teams have brought new, often cross-cutting, insights to improve our work still further. We are beginning now to consider what all this means for the next stage of our strategy, from 2025 and beyond.

Dame Fiona Reynolds, Chair

”

Overview

Chair's statement

Impact, impact, impact. That's what we aim to achieve, and there could hardly be a more important time than now to be watching over the way public money is spent.

2022-23 was a challenging year. There were new reasons for the government to commit to exceptional public expenditure, not least the shock of high inflation after decades of relatively low interest rates; and almost constant political and economic turbulence.



Dame
Fiona Reynolds

Some challenges were practical, such as the continuing delays to audit processes which had led to many late departmental audits in the previous two years. We achieved pre-recess sign-off for four more large departments this year, and our 'getting back on track' programme remains a high priority. New challenges were created by the economic crisis, such as the government's decision to provide help for customers' rising energy bills. As with the COVID-19 pandemic, we provided real-time analysis to assess whether the money was spent as the government intended, providing support to those who most need it. And some affected us internally: we simply could not match the private sector audit companies' pay awards, so we saw a year of higher than usual staff turnover and more difficulty in recruitment than we have seen for a long time. In response, we approved an in-year pay award for all staff below manager grade in October 2022, in addition to our annual award for 2023-24, and continued our focus on people development.

I'm proud, therefore, that the NAO, led by Gareth Davies and his Executive Team, has risen magnificently to meet these challenges. Our output has remained high – 406 audits, 62 value-for-money and wider assurance studies, and 14 insights – and we have provided the Committee of Public Accounts (PAC) and a range of other select committees with a strong stream of well-researched, insightful reports. Our internal focus on audit quality has remained high, and the first phase of our Audit Transformation Programme has gone well.

The NAO Board remains focused on our strategy, and its clear priorities are serving us well. Our focus on impact, value for money, effective scrutiny and accountability have never seemed so important and relevant, and our insight teams have brought new, often cross-cutting, insights to improve our work still further. We are beginning now to consider what all this means for the next stage of our strategy, from 2025 and beyond.

I'm grateful to the non-executive members of the Board for their time, wisdom and constructive challenge. We said a warm thank you to Janet Eilbeck, who retired this year after six years on the Board, recognising her relentless focus on audit quality and improvement. She remains as Chair of the Audit Quality Board, for which we are very grateful. We recruited a new non-executive member, Alistair Conner, who brings much-valued digital and business transformation skills. He joined us in January 2023.

Our people have worked exceptionally hard this year and I am delighted to take this opportunity to thank them publicly for their dedication and resilience during this time of change. We could not begin to do our work without them all.

Dame Fiona Reynolds, Chair



Gareth Davies

Comptroller and Auditor General's statement

My colleagues at the National Audit Office have once again responded brilliantly to the audit challenges presented by unanticipated public spending decisions by government. In 2022-23, the most significant of these were the energy bill support schemes aimed at households and businesses, but we also saw significant resource devoted to support for Ukraine and its people.

The steep increase in inflation in the year has made it difficult for government to keep its major infrastructure programmes on track and has contributed to significant disruption in some public services due to difficulties in filling vacancies and pay-related industrial action.

After two years of intense audit focus on the UK's response to the COVID-19 pandemic, we ensured that Parliament received timely and clear reports on these new demands on the public purse. For example, in February 2023 we published our report *Energy bills support* less than five months after the first payments were made under the scheme. The impact of inflation on government's infrastructure projects was clearly shown in our report on the strategic road investment programme. Deeper problems with the reliability of cost estimates for major programmes were highlighted in our report on the planned High Speed Two station at London Euston.

Although not quite as centre-stage as before, the impact of COVID-19 was still evident in our work on persistent backlogs in NHS elective care and the criminal justice system. It also featured in reports on the performance of HM Revenue & Customs' (HMRC's) tax compliance operation, HM Passport Office, the Driver & Vehicle Licensing Agency and government's own security vetting service.

Government's accounts will show the impact of the support provided during the pandemic for some time. Our audits of the 2021-22 financial statements addressed significant continuing risks in the valuation of pandemic inventory and the estimated cost to the taxpayer of guaranteeing bounce-back loans. The challenges posed by reorganising the UK's national public health and test and trace services in the teeth of the pandemic were starkly highlighted by the failure of the new UK Health Security Agency to prepare auditable accounts for 2021-22, leading to a rare, disclaimed audit opinion. We will continue to press government

We will continue to maximise the improvement impact of our value-for-money work, with a focus on the highest-risk areas in public spending

to recover losses to the public purse incurred in the pandemic response. We will also review how well the lessons of the pandemic for better resilience and preparedness are applied in practice.

In 2022, close working between finance and audit teams allowed us to add four more major government departments to the list of departments with audited accounts by the summer parliamentary recess in July. We intend to build on this progress in 2023 and aim to complete 70% of all our audits by the equivalent date this year. Intense competition in the market for skilled auditors in 2022 required us to take action on pay mid-year for our people below manager level and to use a long-planned pay review to ensure that the NAO remains a competitive employer from 2023 onwards.

The importance of timely and robust audited accounts in all sectors is highlighted by the unacceptable situation for English local authorities, of which only 12% had published audited accounts for 2021-22 by the deadline of the end of November 2022. These delays are a concern in themselves, but when viewed alongside the consequences for some local taxpayers of poor investment decisions and other financial mismanagement at certain councils, they require a strong response from government, councils and their auditors. I am pleased to note recent positive steps towards restoring an effective local audit regime, including a more realistic procurement of audit services for

the next five years and a new role for the Financial Reporting Council as shadow system leader for local audit. However, clearing the large backlog remains an urgent challenge for councils and their auditors.

The year saw further progress towards the strategic priorities set out in our 2020 to 2025 strategy. Our support to Parliament's scrutiny of government spending continues to be highly regarded by MPs of all parties and we supported 63 evidence sessions of PAC in 2022-23. Our work focuses on accountability and improvement, supporting the latter by drawing out the insights from successful and unsuccessful attempts to increase efficiency and deliver better results for service users and taxpayers. Our work and that of PAC has made a tangible impact on government's approach to managing digital change, one of the most important tools in improving value for money. This annual report highlights many other examples of positive impact from our work.

We launched our improved website in 2022 with the aim of making it easier to locate our findings, recommendations and insights. Our experts have shared our improvement messages at conferences, webinars and workshops and we welcome government's receptiveness to this work.

We successfully piloted our new audit risk assessment methodology in 2022 and are rolling it out to all our audits of government's 2022-23 accounts. The year ahead will see the next key stage of our

Audit Transformation Programme with the implementation of our new audit software platform in the autumn of 2023.

We will continue to maximise the improvement impact of our value-for-money work, with a focus on the highest-risk areas in public spending. We will also continue to make progress towards our aim of being an exemplar organisation. We will focus on maintaining our competitiveness as a highly attractive place to work and ensure that we provide value for money with the resources entrusted to us. We will start a strategic review to develop a new five-year strategy, consulting with our stakeholders and challenging ourselves against best practice internationally and in other sectors.

Thank you to my Executive Team and director colleagues for their leadership in another challenging year, to everyone at the NAO for their commitment and professionalism in the service of the public interest, and to Dame Fiona Reynolds and her non-executive director colleagues for their wise advice and valuable challenge and support throughout.

Gareth Davies,
Comptroller and Auditor General



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

About the National Audit Office

Who we are

The NAO is 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. We are independent of government and the civil service.

The Public Accounts Commission (TPAC), a parliamentary committee of MPs, oversees our work.

The Comptroller and Auditor General

The Comptroller and Auditor General (C&AG), Gareth Davies, leads the NAO. He is an officer of the House of Commons with statutory authority to:

- audit and report on the financial accounts of all government departments and other public bodies; and
- examine and report on the value for money of how public money has been spent.

Our strategy and values

We have an ambitious five-year strategy from 2020 to 2025. Its aim is to improve our support to Parliament in examining public sector performance, provide more practical recommendations that lead to better outcomes, and share more of our independent insight. Values are crucial to our work and we developed them alongside our strategy (**Figure 1** overleaf).

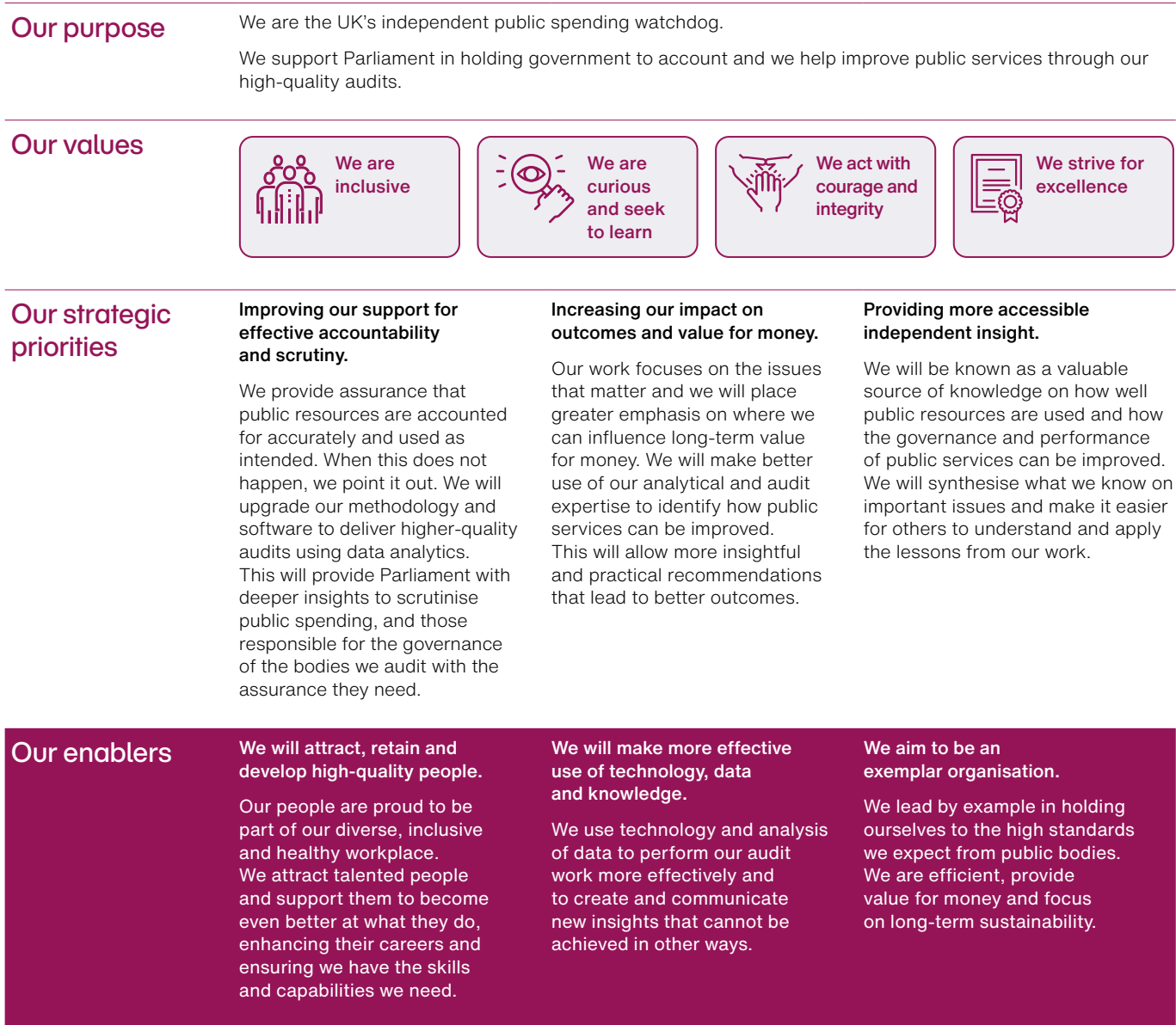


94%

of MPs say we are effective at supporting Parliament to hold government to account and scrutinise public services

Figure 1
National Audit Office (NAO) five-year strategy plan on a page

The NAO strategy covers the period 2020-21 to 2024-25



■ Enablers support all strategic priorities

Source: National Audit Office analysis of strategy documents

We have completed the third year of our strategy and we summarise progress in **Figure 2**. For more, see our annual update for TPAC, [NAO strategy: Progress update and estimate memorandum for 2023-24](#). We developed a performance framework to align with the strategic priorities and enablers in our organisational strategy. See pages 20 to 23, which highlight our performance for 2022-23.

Figure 2

National Audit Office (NAO) progress in implementing our strategy in 2022-23

The NAO has made good progress with delivering each strategic priority

Improving our support for effective scrutiny and accountability	Increasing our impact on outcomes and value for money	Providing more accessible independent insight
<ul style="list-style-type: none"> ● We published 62 major reports and certified 406 accounts this year. ● We supported Parliament by providing members of Parliament (MPs) and select committees with value-for-money reports, investigations, knowledge products and briefings, as well as supporting its scrutiny of the annual reports and accounts of government departments. We supported 63 evidence sessions of the Public Accounts Committee this year. ● We maintained our very strong reputation in Parliament with MPs recording their highest levels of favourability since we started our annual survey (69% of MPs had a favourable opinion of the NAO in 2022). MPs are increasingly aware of our work and trust us to help them to hold government to account and scrutinise public services, with 94% of MPs agreeing we were effective at this in 2022. ● We made substantial progress in our programme to improve our financial audit approach so it meets the highest standards of audit quality and effectiveness. We rolled out an enhanced audit methodology and are on track with the development of our new audit software. 	<ul style="list-style-type: none"> ● We have continued to report on the most significant risks to value for money. This included several reports focused on the efficiency of government, including for example examining backlogs in the NHS, Driver & Vehicle Licensing Agency and HM Passport Office, reviewing the government’s progress with shared services and providing a good practice guide on how to improve operational services. ● We have maintained our focus on the resilience of government services and key infrastructure, for example in our reports on how local health and social care is funded and who is accountable, and on the decarbonisation of the power sector. ● We have also continued our programme of reports examining the delivery of core public services. For example, we have reported on government’s programme to address long-term unemployment, mental health services in England, and the Electronic Monitoring Programme. 	<ul style="list-style-type: none"> ● We are more routinely publishing new types of outputs to increase visibility and engagement with our work. These include insight reports and data visualisations, for example using spatial analytics to produce an interactive tool that visualises the complex geographic relationships of the various organisations that need to interact with each other in the justice system. ● We have produced more outputs specifically targeted at public officials, for example sharing practical tips on how to improve the quality and efficiency of day-to-day services provided by government. We also continue to update the tracker on our website that provides information on the outcomes of our own recommendations to government. ● We have launched a new website designed to help stakeholders find the insights they need more easily and have also hosted a range of insight-sharing events, for example a workshop bringing together expertise in public sector workforce planning.

Source: National Audit Office analysis of performance measurement data



63

Committee of
Public Accounts
sessions
supported

Future challenges

We regularly consider the changing context for our financial audit and value-for-money work to ensure that we produce relevant, high-quality work that meets the standards required by regulators and fulfils the expectations of Parliament.

In our financial audit work, we are continuing to respond to developments in auditing standards and regulation. We are also addressing several new and changing audit risks, for example challenges in valuing assets and inventories following the COVID-19 pandemic; increased vulnerability of public spending to fraud and error; and the increased use of financial instruments by public bodies. We are focusing on making further progress towards helping the organisations we audit to publish high-quality certified annual reports and accounts to the timetables that existed prior to the pandemic.

More widely, we are focused on addressing the most significant risks to value for money in public spending in our work programme. These include the long-term value-for-money themes we identified in our 2020 strategy, such as significant investments in infrastructure and the move to a net zero economy, and government's levelling-up ambitions. We will do this while also reacting effectively to emerging issues, such as rising energy costs and supply, and government borrowing. In the year ahead we will focus more acutely on assessing efficiency and productivity within government, the resilience of public services, government operations and critical national infrastructure, as well as maintaining our scrutiny of the performance and costs of core public services.

Our future success will depend on having people with the skills and capabilities we need. We will therefore continue to focus on attracting, retaining and developing high-quality people and considering our overall proposition as an employer to maintain our competitiveness. 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.

Our organisation

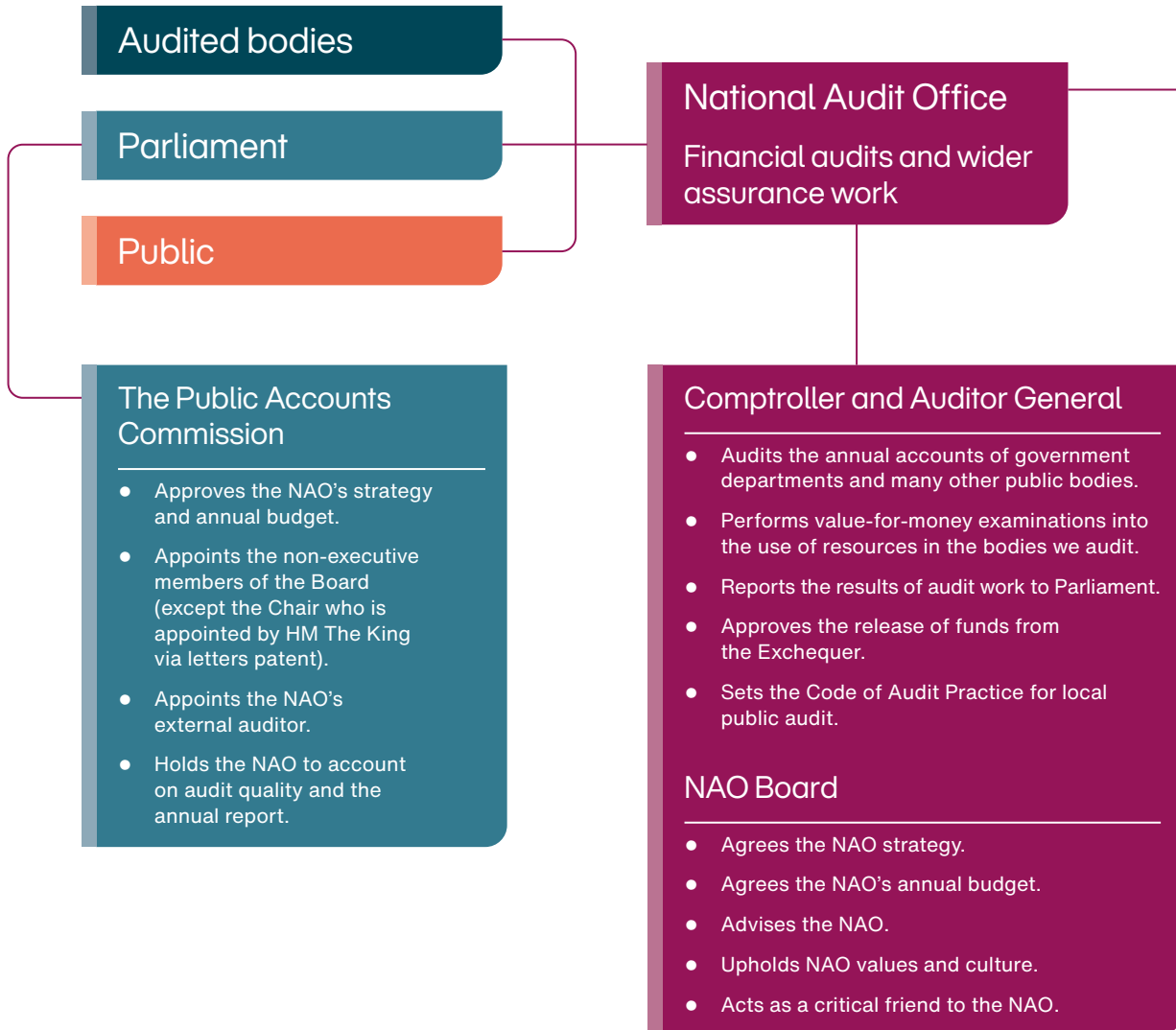
This section explains the NAO structure: groups, insight and functional teams at the time of writing (**Figure 3** on pages 18 and 19).

In the year ahead we will focus more acutely on assessing efficiency and productivity within government, the resilience of public services, government operations and critical national infrastructure, as well as maintaining our scrutiny of the performance and costs of core public services

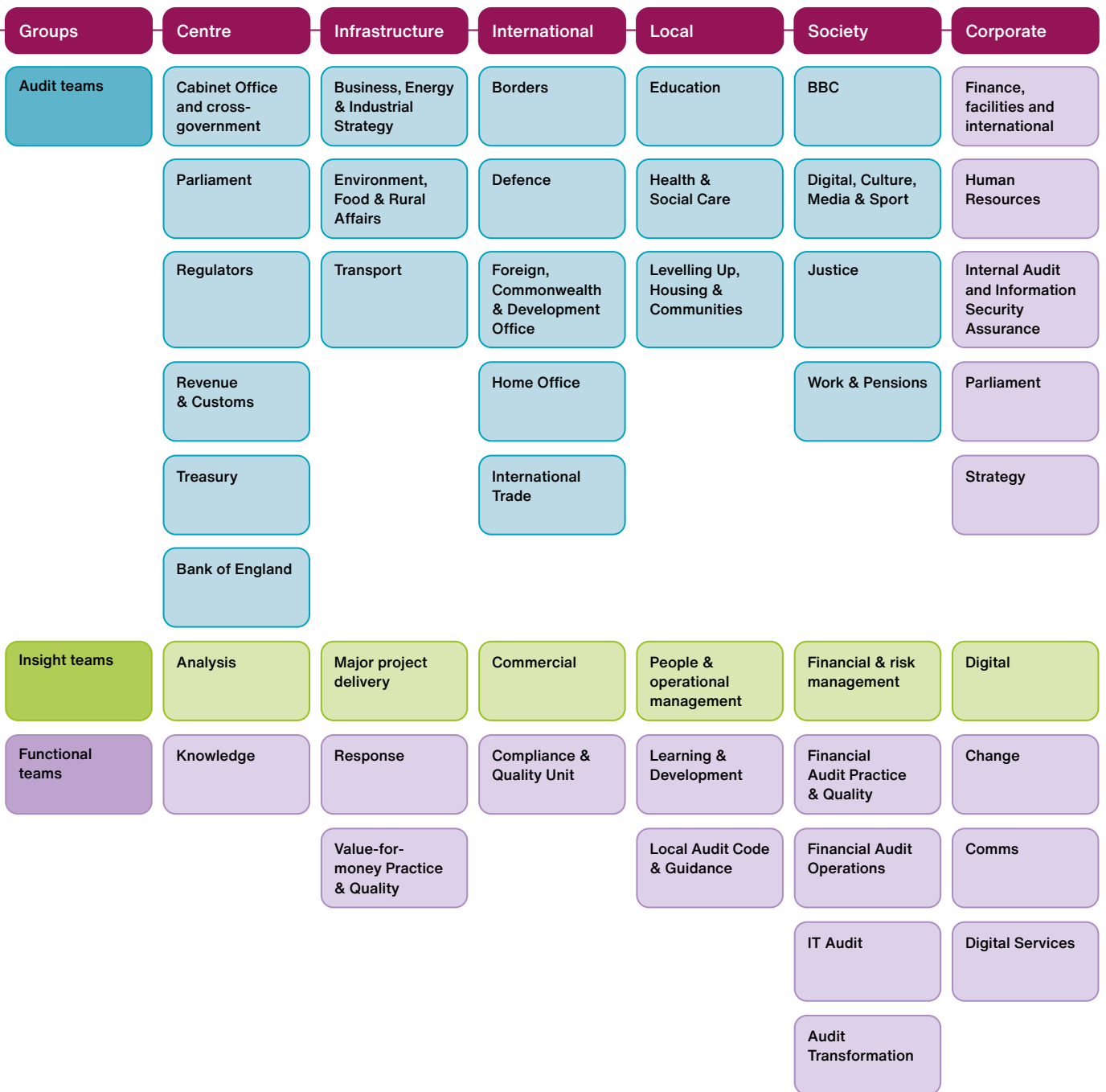


Figure 3
How the National Audit Office (NAO) worked in 2022-23

The NAO consists of audit, insight and functional teams



Source: National Audit Office analysis of organisational structure documents



Our performance

Performance measurement framework

We have a performance measurement framework as part of our five-year strategy.

Figure 4

National Audit Office (NAO) progress against performance measurement framework for 2022-23

The NAO set ambitious targets for 2022-23

What success looks like	How we measure this	Target for 2022-23 ¹
Strategic priority: 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.	60 to 65 VFM reports
		Around 400 audit certifications each year
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.	100% of our financial audit work meets FRC standards
		100% of our financial audit work meets internal standards
		100% of our VFM audit work meets external standards
		100% of our VFM audit work meets internal standards
Members of Parliament (MPs) consider that we support effective accountability and scrutiny.	MPs agree that the NAO is effective at supporting Parliament to hold government to account and scrutinise public services.	90% of MPs agree
Strategic priority: Our work leads to better outcomes and value for money		
Our work has a quantifiable positive financial impact on the public sector.	Total value of financial impacts generated by our work, as agreed with the audited body, against our final net outturn.	£10 financial impact for every £1 of net expenditure each year
Senior officials in the bodies we audit consider that our work leads to better outcomes.	Annually commissioned independent feedback from senior officials shows that they agree that our work leads to better outcomes. ³	65% of senior officials agree

The framework shows the extent to which we are achieving our strategic objectives. This, together with our key performance indicators (KPIs), is set out in the [NAO strategy: Progress update and estimate memorandum for 2023-24](#). Progress against this framework is in **Figure 4** on pages 20 to 23.

Achievement	Target met?	Previous year achievement	Further information ²
62	Yes	58	For information on our VFM work and quality see pages 28 to 29. Our target for 2023-24 is 60 to 65 reports.
406	Yes	400	For more information on the timings of our audit certifications see the case study on page 28. Our target for 2023-24 is around 400 audit certifications.
FRC: 56% (2020-21)	No	71%	For more information about our financial audit quality see pages 25 to 28. Our target for 2023-24 is 100% of our financial audit work meets FRC and internal standards.
Internal: 65% (2020-21)	No	70%	
External: 95%, 19 out of 20 reports met external standards	No	100%	For more information about our VFM audit quality see pages 28 to 29. Our target for 2023-24 is 100% of our VFM audit work meets external and internal standards.
Internal: 92%, 11 out of 12 reports met internal standards	No	83%	
94%	Yes	90%	For more information on MPs' perception of the NAO and our work see pages 30 to 31. Our target for 2023-24: 90% of MPs agree.
£7 for every £1 spent	No	£11 for every £1 spent	For more information on financial impact see page 39 to 42. Our target for 2023-24 is £10 financial impact for every £1 of net expenditure each year.
70%	Yes	80%	Our target for 2023-24: 68% of senior officials agree.

Figure 4 *continued*

Our progress against performance measurement framework for 2022-23

What success looks like	How we measure this	Target for 2022-23 ¹
Strategic priority: We provide accessible independent insight		
Our knowledge and insights are clear and accessible to key stakeholders.	MPs agree that they can easily access our insights and knowledge.	60% of MPs agree
	Annually commissioned independent feedback from senior officials shows that they can easily access our insights and knowledge. ³	65% of senior officials agree
	We use an Average Article Rating, which is a composite performance score based on industry best practice that calculates an article's media impact based upon key drivers such as its profile, inclusion of spokespeople and corporate messaging, and positive or negative reference to the NAO.	60 out of 100
Our enabler: We will attract, retain and develop high-quality people		
Our people feel highly engaged in their work and report having access to learning and career development opportunities when they need them.	Surveys of NAO staff provide a composite engagement score out of 10.	Average aggregated engagement score for the year of 7.4
We have diversity of talent at all levels and a talent pipeline that embraces people from any background.	Reporting gender pay gap. ⁵	6%
There is no pay gap associated with gender or ethnicity.	Reporting ethnic minority pay gap. ⁵	11%
Our enabler: We make effective use of technology, data and knowledge		
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.	Surveys of NAO staff ask them to score out of 10 the extent to which they have the right technology and tools to do their work. ⁶	Average aggregated score for the year of 8.0
	Surveys of NAO staff ask them to score out of 10 the extent to which they can find the information they need to do their work effectively. ⁶	Average aggregated score for the year of 7.0
Our enabler: We are an exemplar organisation		
We demonstrate continued cost-effectiveness and efficiency.	Ratio of expenditure on audit work to expenditure on business support services.	A minimum of 80% of our expenditure is on audit work
We see a sustained reduction in our environmental impact.	Reduction in tonnes of carbon emissions.	To reduce to 880 tonnes of carbon emissions

Notes

- 1 Targets for 2022-23 were set in the *NAO strategy: Progress update and estimate memorandum for 2022-23*, February 2022.
- 2 Targets for 2023-24 were set in the *NAO strategy: Progress update and estimate memorandum for 2023-24*, March 2023.
- 3 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.

Source: National Audit Office analysis of performance measurement data

Achievement	Target met?	Previous year achievement	Further information ²
67%	Yes	68%	For more information about MPs perception of our work see pages 30 to 31 and for information about our accessible independent insights pages 56 to 60. Our target for 2023-24: 62% of MPs agree.
63%	No	67%	Our target for 2023-24: 68% of senior officials agree.
61.4	Yes	N/A ⁴	Our 2021-22 target was under development last year. Our target for 2023-24: 62 out of 100.
6.5	No	6.9	For more information on people survey results see pages 63 to 64. Our target for 2023-24: average engagement score for the year of 7.5.
6.39%	No	8.26%	For more information on diversity of talent at all levels, a talent pipeline and diversity pay gap see pages 66 to 70. Our target for 2023-24: 5%.
14.50%	No	12.76%	For more information on diversity of talent at all levels, a talent pipeline and diversity pay gap see pages 66 to 70. Our target for 2023-24: 9%.
7.6	No	7.7	For more information about our technology and tools see pages 72 to 78, and for people survey results see pages 63 to 64. Our target for 2023-24: Average score for the year of 8.0.
6.8	No	7	For more information on people survey results see pages 63 to 64, and for information on our digital workplace and knowledge see page 78. Our target for 2023-24: Average score for the year of 7.2.
84%	Yes	83%	For more information on our financial performance see pages 81 to 85. Our target for 2023-24: a minimum of 80% of our expenditure is on our audit work.
744 tonnes	Yes	712 tonnes	For more information on our environmental impact see pages 86 to 89. Our target for 2023-24: no more than 880 tonnes of carbon emissions.

4 Our 2021-22 target was under development.

5 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.

6 Initially, we ran the people survey monthly. From July 2022, we moved to a quarterly survey. The scores presented are based on an aggregated average score (range from 0 to 10) from the 12 months to March 2023.

Effective accountability and scrutiny



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



“

I think the NAO's standards overall are very high...I think technically, the NAO are very sound, and they put a lot of effort into ensuring that their audit standards remain high.

”

Financial director, NAO survey of senior officials in bodies we audit, 2022

“

From environmental compliance and enforcement, to the sustainability programmes of government departments and the contribution local government can make to achieving net zero: over the 25 years since the Environmental Audit Committee was established, the NAO has provided the Committee with invaluable studies that have helped shape its scrutiny work. Their support has contributed vital insight to some of the most important issues of environmental governance and sustainability. The Committee has also benefited enormously from having NAO secondees embedded in its team, who have led work on areas as varied and complex as electronic waste, carbon border adjustment mechanisms and sustainable timber and deforestation.

”

Rt Hon Philip Dunne MP, Chair of the Environmental Audit Committee

“

I think they're thorough, they're independent, and I think they're very influential in a limited circle, I suppose. But they're authoritative, so what they say goes, I think. I think if you're using their data or their reports they're very authoritative and so individual MPs find them influential. They're very useful, and I think governments do find it's difficult to deflect their criticisms because of the way they work, because of their independence, their thoroughness, their seriousness as an organisation.

”

Independent backbench MP, MPs Winter 2022 survey

Our work

Our objective to support Parliament in holding government to account is vital at a time of unprecedented public spending and uncertainty. We promote 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 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.

The quality of all our audit work is fundamental to the C&AG's credibility in supporting Parliament as its appointed auditor. The following section highlights how we measure the quality of our work and the steps we are taking to improve this further.

Financial audit

The C&AG, with the support of the NAO, provides an independent audit opinion on more than 400 accounts across the public sector, including those of the UK's government departments. This audit work is defined by international auditing standards.

Our financial audit work is critical in ensuring taxpayers' money is accounted for correctly and spent for the purposes intended. We continue to audit an increasingly complex and challenging portfolio of financial statements. This was amplified during 2022-23 by the need to respond to the exceptional audit risks arising from the UK government's response to the energy price crisis and the ongoing issues arising from the COVID-19 pandemic and related accounting and governance arrangements (see **Case study** overleaf).

The quality of our financial audit work is vital for us. We measure quality primarily through annual internal and external reviews of a sample of our audits. Our target is that all the audits reviewed will be assessed as needing no more than limited improvements. The findings from our latest reviews, covering our 2020-21 audits, were published within our annual Transparency Report, together with our response to address these findings.¹

In January 2023, we completed our third annual Single Financial Audit Quality Plan. This brought together all the interventions that support audit teams to deliver good-quality audit work for their 2022-23 cycle of audits. These interventions included issues arising from our implementation of the new quality management auditing standard from December 2022 (International Standard on Quality Management (UK) 1) and our consideration of the risks to audit quality. It reflects further interventions, including:

- those arising from our most recently concluded quality inspection programmes;
- our root cause analysis of the issues that led to quality deficiencies;
- enhancements in our audit methodology; and
- the implementation of the requirements of the revised auditing standard ISA 315 (Revised 2019): *Identifying and assessing the risks of material misstatement* from our 2022-23 audit cycle.

¹ We publish this information on our website for transparency, available at: www.nao.org.uk/about-us/governance/transparency



£1.7
trillion

of government
spending
audited

Based on
the Whole of
Government
Accounts for
2020-21



406
accounts certified

It is essential that basic governance arrangements are put in place when setting up new bodies



Timon - stock.adobe.com

Case study

The importance of basic governance arrangements to support transparency: UK Health Security Agency

The UK Health Security Agency (UKHSA) was established while the UK was responding to the COVID-19 pandemic, bringing together the health protection functions of Public Health England with NHS Test and Trace.

The NAO disclaimed the audit opinion on the 2021-22 accounts of UKHSA, the first year that accounts were prepared.² Shortcomings in financial control and governance due to the pace and complexity of establishing UKHSA exposed the organisation to a high level of risk, with no clear oversight structure and a lack of critical elements of internal control for its first six months of operation. In addition, the introduction of a new accounting system and a reliance on temporary staff meant that UKHSA was not able to provide the NAO with evidence to support key balances and transactions in the accounts, including £794 million of Test and Trace inventory.

Disclaiming an audit opinion is a rare occurrence, highlighting the importance of basic governance arrangements when setting up new bodies. PAC considered the C&AG's audit report, which emphasised the importance of audited accounts in providing the transparency and assurance that Parliament and the public expect. The Committee held officials to account for the quality of the financial statements presented to Parliament.

² UK Health Security Agency, *UKHSA Annual Report and Accounts 2021/22*, HC 1086, January 2023, pp. 86-90.

Our Quality Plan also includes our further investment in our centres of expertise. These centres consist of colleagues who are our experts in areas requiring specialist knowledge. They support audit colleagues in complex and harder to value areas, such as pensions, property, financial instruments, and in specialist areas of auditing charities and fraud and error. The centres enable us to keep pace more effectively with good-practice expectations and respond to quality review findings in these complex areas.

We are also implementing our Audit Transformation Programme. This is a once in a generation investment in our audit methodology and the technology we use to deliver our audit work. We are taking an incremental approach which will transform how we audit, improving quality, insight and efficiency. Each phase of our transformation is supported by significant training and development for our auditors (see pages 73 to 75).

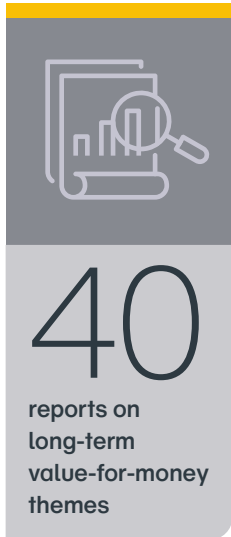
In autumn 2022, we launched the first major step in our transformation with the roll-out of our new audit methodology following the updated requirements of ISA 315. This included an extensive training programme for all financial audit colleagues (see case study on page 75). We also began the second major step to pilot our new audit software.

For financial statements and their audits to be relevant to those who take assurance from them, such as Parliament, it is important that they are published as soon as possible. A key aim for us is to work with audited bodies so that, in 2024, we achieve the pre-pandemic position of around 78% publish audited financial statements before the summer parliamentary recess (see **Case study** overleaf).

As part of its role in holding the NAO to account, TPAC held its second annual substantive evidence session on the quality of our financial audit work in December 2022.³ The Commission took evidence from the C&AG, our two executive directors responsible for our financial audit work, and the chair of our Audit Quality Board. It challenged our progress in taking forward the findings raised from our internal and external inspection programmes and the effectiveness of the actions we have in place to address them. It welcomed the implementation of our Audit Transformation Programme and its key role in supporting auditors to deliver consistently high-quality audit work.



3 Public Accounts Commission, [Oral evidence: National Audit Office Audit Quality 2021-22](#), House of Commons, December 2022.



Case study

Working with audited bodies to support timely transparency and accountability

Before the COVID-19 pandemic, 78% of the organisations we audit published audited annual reports and accounts prior to the summer parliamentary recess. The pandemic had a significant impact on the finance teams at the organisations we audit as efforts were reprioritised to support government’s operational response or disrupted by changes to working patterns and sickness absence. Despite this, in 2020, 42% of annual reports and accounts (including 25% of the major departments) were published by the parliamentary summer recess and in 2022, the figure was 53%, including 59% of major departments.

One of the NAO’s key aims is to return to the pre-pandemic position for timely publication of audited annual reports and accounts to support transparency and accountability. We also need to do this in a way that does not compromise the quality of the audit work supporting the C&AG’s audit opinion.

In 2022, we worked closely with several departments to return to publication prior to the summer parliamentary recess. This included the Ministry of Defence, HMRC, the Department for Transport and the Foreign, Commonwealth & Development Office (FCDO). In 2023, we are working closely with those departments that remain on a later reporting timetable to bring forward accounts and audit work.

Value for money and insights

In 2022-23, we published 62 VFM and wider assurance reports, including 40 reports on long-term VFM risks (see Figure 6 on page 49).

In our VFM work, we always aim to meet the highest quality standards, consistent with international standards in performance audit. In 2022, we have simplified how we present the standards that guide how we carry out and assess the quality of our VFM work (see the box below). Each year we conduct a set of external and internal reviews of a sample of our published reports and investigations in order to assess the quality of our work and identify areas where we can continue to learn and improve.

National Audit Office value-for-money standards

We are:

Independent – we meet international standards for quality, behaviour and ethics.

Professional – we meet our legal and professional obligations.

Open – we value different perspectives and invite feedback and challenge.

Efficient – we scope our work to meet the objectives for the audit.

Our work is seen as:

Relevant – we focus our work on the right issues at the right time to make the greatest difference.

Accurate – we use robust evidence and show clearly how we have reached our judgements.

Accessible – our work is clear, inclusive and engaging.

Focused on outcomes – we can show our work leads to positive changes in public services.

In 2022-23, RAND Europe and Risk Solutions reviewed 20 published reports covering a range of types of publications. These external cold reviews give us an independent view of our reports; in particular they consider the integrity of the evidence and conclusions as they are presented, the accessibility and clarity of how we present our findings and the robustness of methods, graphics and statistics. The reviewers assessed 19 reports as meeting or exceeding expected standards. They assessed one report as below average as they felt that the way in which the scope and purpose of the report was shown could have been improved. Overall, the reviews demonstrate that our work continues to meet a high standard, with particular strengths in how we structure and present our reports, balance our summaries and qualitative analysis. The reviewers suggested some areas where we could continue to improve, including how we describe the scope and purpose of the reports, how we express our recommendations and opportunities to improve the use and value of 'key facts' as they sometimes lacked a coherent link to the report summary.

We continued to develop new guidance and tools that will be introduced in 2023-24, to help us further improve the quality of our work

Our internal quality reviews look at whether we are meeting our standards in following our quality assurance processes as well as helping us to learn from each other and share good practice. In 2022-23, we reviewed 12 VFM studies, investigations and insights. Eleven were rated as meeting our standards either as good/best practice or good with limited improvements (2021-22: 10). One was rated as having areas for improvement due to weaknesses in the clarity of documentation of the audit trail (2021-22: none). None were rated as having significant areas of improvement (2021-22: two). We identified good practices in producing clear and accessible audit documentation and making effective use of experts to deepen our insights and the impact of our work.

We share the learning from the quality reviews with VFM teams through a range of targeted activities including training and regular knowledge-sharing events. In the year ahead we will be rolling out an updated programme of learning and support tools for all VFM auditors to help ensure consistent delivery against our standards. We will also continue to develop our approach to making impactful recommendations, building on the experience of tracking our recommendations more comprehensively in recent years.

Our Audit Quality Board, independently chaired by Janet Eilbeck, is an advisory committee to the C&AG. It continues to support the C&AG as we develop our quality plans, covering both our financial audit and VFM work, challenging our risk assessment, progress and effectiveness (see page 110).

More details about our financial and VFM work can be found in our annual Transparency Report.⁴ We will publish our next Transparency Report, including the outcomes of our internal and external inspection programmes for our 2021-22 cycle of financial audits, in summer 2023.

⁴ We publish annual Transparency Reports on our website for transparency, available at: www.nao.org.uk/about-us/governance/transparency



Support for Parliament

We support Parliament in holding government to account. Our focus is assisting the PAC, other select committees and individual members of Parliament (MPs) in their scrutiny of how public bodies use public resources and deliver services.

According to our 2022-23 survey of MPs, run for us by Ipsos, we maintained our strong reputation in Parliament. Of MPs surveyed, 78% stated that they knew the NAO very well or a fair amount, the highest score since we started the annual survey and 69% of MPs recorded a favourable opinion of the NAO (**Figure 5**). Of MPs surveyed, 94% said that the NAO was above average for being authoritative compared with other organisations and 93% that we were above average for acting with impartiality and independence.

The Committee of Public Accounts

We support PAC in its inquiries with a broad and varied programme of work. In 2022-23, we supported 63 of PAC's evidence sessions with our value-for-money work. At these sessions, PAC took evidence on a wide range of subjects including actions to combat waste crime such as fly-tipping, the regulation of energy suppliers, education recovery in schools post-pandemic, adapting defence systems to meet the needs of modern warfare, the financial losses suffered by British Steel Pension Scheme members, and reforms to try to relieve pressure on the criminal justice system. The PAC sessions we supported also included five that held government departments to account for the content of their Annual Report and Accounts and the issues highlighted by our financial audit work.

Following an inquiry, PAC typically issues its own report and makes recommendations, to which the government must respond in a published Treasury Minute. During 2022-23, the government accepted 89% of PAC's recommendations (343 out of 385) compared with 90% in 2021-22.

Support to select committees

We continue to support other select committees, including clerks and their teams, by providing evidence in person, written briefings, and departmental and financial overviews. In 2022-23, we provided support and briefings to other select committees on 21 occasions, including giving evidence to the Work and Pensions Committee as part of its inquiry into the Child Maintenance Service and to the House of Lords Communications and Digital Committee for its inquiry into the BBC future funding.

We also published 12 bespoke pieces of work for select committees. This included overviews on government departments' accounts and performance, based on insights from both our VFM and financial audit work; and reports on food security and environmental compliance.

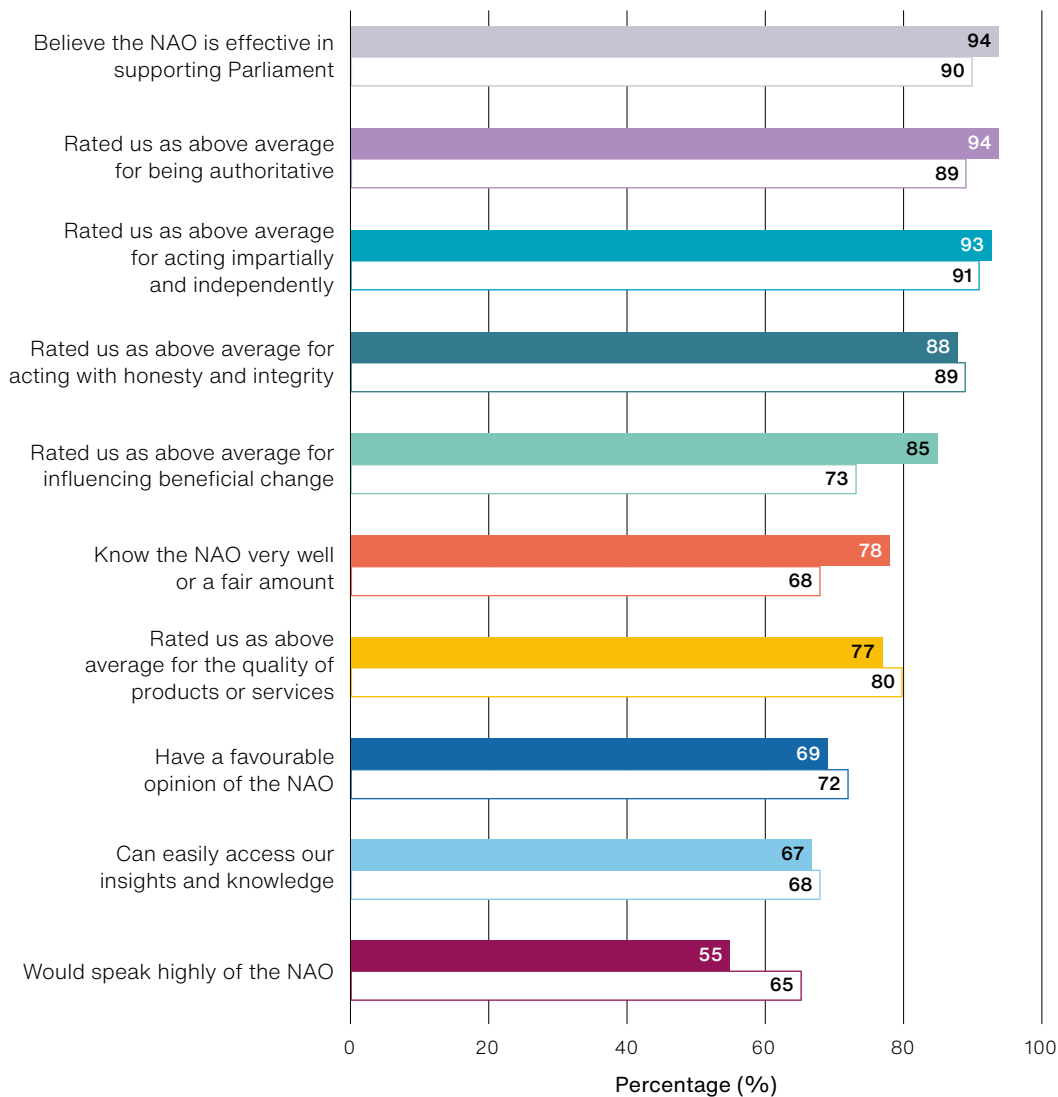
In addition, we contributed to eight House of Commons seminars available to all MPs, MPs' staff and House staff. We shared our insights on topics such as the UK Infrastructure Bank, managing NHS backlogs, and the employment Restart scheme. We also provided bespoke in-person guidance to MPs and their staff on making best use of departmental accounts.

Figure 5

Members of Parliament’s (MPs’) perception of the National Audit Office (NAO), 2021 and 2022

In 2022, many of the MPs survey scores improved, for example, on the NAO influencing beneficial change, or on being considered authoritative and impartial

MPs:



■ 2022

□ 2021

Notes

1 Sample for 2022: 559 MPs contacted, 127 MPs interviewed, 96 MPs answered the National Audit Office questions (versioning used to control interview length). Sample for 2021: 478 MPs contacted, 123 MPs interviewed, 95 MPs answered the National Audit Office questions (versioning used to control interview length).

2 Fieldwork dates for 2022: November 2022 to January 2023. Fieldwork dates for 2021: November 2021 to February 2022.

Source: Ipsos MPs Winter 2022 survey; National Audit Office, [Annual Report and Accounts 2021-22](#), June 2022

21
Parliamentary select committees' sessions supported

The NAO experts highlighted the challenges of poor data, and how government can use workforce and other estates data more effectively to optimise the value for money



Case study

Briefing a select committee

In December 2022, our Director for VFM on the Cabinet Office, Sian Jones, our Chief Analyst, Ruth Kelly, and our Director for People and Operational Management, Kate Caulkin, gave evidence to the Public Administration and Constitutional Affairs Committee as part of its inquiry into the future of the government estates.

The Committee asked about our report on [managing central government property](#) and our wider expertise on workforce planning and evaluation, drawing on our reports on [evaluating government spending](#) and [the NHS nursing workforce](#).

The Committee was interested in whether government had a long-term and strategic plan for its offices and workforce and how government is learning lessons from the past. The NAO experts highlighted the challenges of poor data, and how government can use workforce and other estates data more effectively to optimise the value for money of the estate and provide transparency on progress.

Case study

Supporting the International Development Committee

“I applied for the International Development Committee (IDC) secondment because of the prospect of using my knowledge of international development while working within a parliamentary select committee.

“There are two committees that scrutinise the FCDO but there is a clear distinction between the two; the IDC focuses on the aid budget whereas the Foreign Affairs Committee examines the FCDO’s foreign policy.

“As committee specialists, our role involves arranging oral evidence sessions, scoping witnesses, providing briefings with suggested questions, attending stakeholder events and organising trips for the IDC to view Official Development Assistance-funded projects. This has included trips to both Rotherham and Nepal.

“While managing an inquiry into British International Investment, my accountancy qualification has helped me to understand the nuances of development finance institutions and impact investing. My experience of working on value-for-money reports and performance audits has really helped in structuring the inquiry,


setting the terms of reference, analysing large volumes of written submissions and drafting questions to address the IDC’s concerns.

“I’ve also had the opportunity to attend external events, such as Devex’s conference on the Future of Development Finance and roundtable discussions. Both have really deepened my understanding of the opportunities and threats of the development sector.

“Working within Parliament has been an experience like no other. Highlights have included being part of evidence sessions within the old rooms of the Palace with some incredibly influential witnesses, watching President Zelensky address the House and seeing the Liaison Committee question the Prime Minister. Overall, I have found the work to be both fast-paced and challenging, but I also feel like I’m part of a team that contributes towards meaningful change.”

Emily Ward, Committee Specialist, International Development Committee





941
correspondence responses provided to the public and members of Parliament

“

The highlight of my work has been managing a major inquiry on a flagship area of government policy

”

Richard Douglas,
Committee Specialist,
Public Administration
and Constitutional
Affairs Committee



Case study

Supporting the Public Administration and Constitutional Affairs Committee

“The NAO has a long tradition of providing secondees to the Public Administration and Constitutional Affairs Committee (PACAC), the select committee which examines the Cabinet Office and wider issues relating to the civil service and constitution. In September 2022 I began a one-year secondment to the PACAC team.

“The highlight of my work has been managing a major inquiry on a flagship area of government policy (relocating 22,000 civil service posts out of London into new regional Hub buildings around the UK). This work has included using my qualitative and quantitative research skills in briefing Committee members and providing detailed analysis to assist them in making their recommendations.

“One of the most rewarding aspects of working in Parliament has been the chance to talk to a variety of experts. This has included expanding my contacts among specialists in the House of Commons Library, Scrutiny Unit, and committees, as well as engaging with networks of academics and external stakeholders. I have particularly enjoyed the opportunity to work with the Commonwealth Parliamentary Association, presenting on how the UK’s Committee of Public Accounts frames recommendations for maximum impact.

“Throughout my time at the House of Commons I have liaised with NAO colleagues, exchanging insights and drawing on their expertise.”

Richard Douglas, Committee Specialist, Public Administration and Constitutional Affairs Committee

International work

Our international engagement strengthens the work we do for the UK Parliament and the taxpayer. It:

- adds extra depth and insight to those reports which use international comparisons showing how different countries tackle relevant issues;
- enables us to learn from good practice in other audit offices and access the results of global studies, expert discussions and specialist research;
- improves accountability and transparency in countries and international bodies which are recipients of UK taxpayer funding; and
- develops our people by giving them new perspectives, skills and knowledge.

There are three main components to our international work.



International relations

We build relationships with other audit offices worldwide to share experience, knowledge and learn from good practice. We continued to take a leading role, through our position on the EUROSAI Governing Board (a regional body which represents the European grouping of 51 audit offices). We successfully managed a portfolio of responsibilities looking at emerging issues in the audit of public services, including those relating to the potential impact of climate change, resilience and risk in planning for emergencies, and drawing lessons from preparedness and responses to the COVID-19 pandemic.

This year we also arranged for two members of staff to work overseas with the Office of the Auditor General New Zealand. This temporary secondment gave our auditors experience of alternative audit testing methodologies and exposure to different types of audit entities, including local councils.

International audit

We improve oversight of international organisations by drawing attention to specific themes and insights arising from our audit work of United Nations (UN) specialised agencies where we are appointed. Our external audit appointments entitle us to membership of the UN's Panel of External Auditors, a position which allows us to contribute to improving quality standards of audits across the UN system.

Technical cooperation

We strengthen accountability to taxpayers by supporting national audit offices in countries that receive UK aid. We liaise with the FCDO to ensure that our technical cooperation work overseas aligns with UK interests. In 2022-23, we supported capacity-building work in Kenya, Rwanda, the Gambia and Tanzania. We also continued to work with the Government Internal Audit Agency and the Commonwealth Parliamentary Association to support the UK's Overseas Territories. This work aims to develop the capabilities and core skills of the Territories' audit offices and public accounts committees through a programme of training, technical advice and sharing of knowledge.



87%

of senior officials in the bodies we audit agreed that the NAO team made fair and balanced judgements as part of the 2021-22 audit

Case study

INCOSAI 2022

Once every three years, Supreme Audit Institutions (SAIs) of each country meet at the International Congress of Supreme Audit Institutions (INCOSAI). In November 2022 it was held in Rio de Janeiro, Brazil. The agenda included various key audit topics, for example what has been learned from auditing COVID-19 responses and how SAIs should rise to the challenge of climate change.

The C&AG spoke in a plenary session with the auditor generals from Chile and Kenya, chaired by the US Government Accountability Office, discussing the NAO's experience of auditing through the pandemic and the lessons for SAIs in future emergencies. We also ran a well-attended workshop on rapid response investigations, something for which the UK NAO is seen as a world leader. At the conference we were able to forge new links and identify examples of innovative practice that we can use in our work.

Local audit

We worked with stakeholders to support the local audit sector, particularly on timeliness in local government accounts and audit. We reported on progress in addressing severe delays in the local audit sector and supported PAC in its evidence sessions on this topic in March 2023.^{5,6} We maintained our [online tool](#) for accessing local auditors' reports in England.⁷

We also issued publicly available [Auditor Guidance Notes](#) to support auditors in their examination of the annual accounts of relevant authorities, including local councils, police, fire and local NHS bodies. This involved working closely with these sectors and audit firms to understand the issues local auditors are facing in relation to auditing financial statements and examining arrangements to deliver value for money.

We continued to work with the Department for Levelling Up, Housing & Communities (DLUHC) and others through the Local Audit Liaison Committee, established by DLUHC in July 2021. 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.

5 Comptroller and Auditor General, [Progress update: Timeliness of local auditor reporting on local government in England](#), Session 2022-23, HC 1026, National Audit Office, January 2023.

6 Committee of Public Accounts, [Oral evidence session: Timeliness of local auditor reporting](#), HC 995, 16 March 2023.

7 National Audit Office, [Find a local public body's audit report](#), December 2022.

Correspondence

Receiving, investigating and replying to correspondence plays a valuable role and informs our core 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 provides an opportunity to inform people about our work and helps focus our scrutiny of public bodies on issues and concerns of interest to the public and MPs. Every year we typically receive around one thousand emails, letters and phone calls from the public, and around one hundred pieces of correspondence from MPs. In 2022-23, we provided 941 responses to the public and MPs (1,169 in 2021-22).

We aim to respond to correspondence from MPs within 10 working days and from the public within 20 working days. In 2022-23, we responded to:

- 95% of letters from the public within our target timescales (98% in 2021-22); and
- 93% of letters from MPs within our target timescales (96% in 2021-22).

The Freedom of Information (FOI) Act 2000 gives applicants a general right of access to recorded information held by public authorities – with some procedural and substantive limitations. In 2022-23, we received 80 requests for information under the FOI Act, compared with 75 in 2021-22. We received one request under the Environmental Information Regulations 2004 (one in 2021-22) and answered two subject access requests under the Data Protection Act 2018 (five in 2021-22).

In summer 2023, we are publishing a disclosure log, enabling the public to understand the volume and nature of FOI requests we receive.

We responded to:

95% of letters from the public within our target timescales

(98% in 2021-22); and

93% of letters from MPs within our target timescales

(96% in 2021-22)



Our impact on outcomes and value for money



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



“

Their reputation, their independence, their objectivity, their consistency, their flexibility in looking at all sorts of different routes and destinations for public money, and I think their strong leadership.

”

Labour shadow minister,
MPs Winter 2022 survey

“

Our experience with working with them is very good. They're very responsive, they get back, they're constructive. I feel like we have a constructive dialogue.

”

Financial director, NAO survey
of senior officials in bodies
we audit, 2022

Recommendations

We seek to increase our impact on outcomes and value for money of public services. We do this primarily through our value-for-money reports, which make recommendations for improvements. These set out 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. The aim of the tracker is to increase transparency on the outcomes arising from our recommendations and promote scrutiny and parliamentary accountability for government spending.

Between 1 April 2019 and 31 March 2022, we made 795 recommendations, 727 (91%) of which have been accepted or partially accepted by government. In total, 396 (50%) have been implemented and 300 (38%) are work in progress.⁸


Our financial impact

Among other impacts, our work saves public money. Each year, we assess the financial impact of our work and influence by identifying where these have resulted in improvements with financially quantifiable net benefits. These impacts stem from both our financial audit and value-for-money work. In some cases, financial impacts are calculated for a single year, whereas in others they span multiple years. In each case, the audited body involved confirms our contribution to the financial impact. A list of financial impacts valued at more than £5 million is included on pages 172 to 174. Our target is to achieve £10 of financial impact for every £1 the NAO costs the taxpayer.

In the 2022 calendar year, our confirmed financial impact was £572 million, which represents around £7 for every pound of our net expenditure. Our financial impact varies year-on-year, and we do not expect to meet our target every year. In the past three years, we deliberately adjusted the balance of our work programme, most notably to provide transparency about the implications for public spending and the value-for-money risks arising from the government's response to the COVID-19 pandemic. Our emphasis on this theme meant that we produced fewer reports on topics that could have led more directly to financial impacts. Looking ahead, we will carry out work in a broad range of areas that we expect to result in financial and other impacts.



⁸ The remainder of recommendations not classified as accepted or partially accepted are either rejected, still under consideration by departments or we have no information on their acceptance yet. The remainder of the recommendations not classified as implemented or work in progress are either no longer relevant, have no information on implementation or are where work has not yet started on implementation.



70%
of senior officials in the bodies we audit agree that our work leads to better outcomes

DHSC has confirmed that the actions taken resulting from NAO recommendations have already saved the NHS more than £180 million



Financial impact

Improving the management of NHS property

What we did

NHS Property Services Limited (the Service) was established by the Secretary of State for Health and Social Care to manage, maintain and improve NHS properties in England. Its portfolio consists of 2,900 properties with an estimated value of £3.8 billion.

In our [2019 investigation](#), we found too many NHS organisations and GPs regarded paying for their premises as optional, with almost £700 million either written off or still unpaid. We recommended the Department of Health & Social Care (DHSC), in collaboration with other national bodies and the Service, should agree tenancy details with the Service’s tenants, and implement dispute resolution processes to settle disputes within 90 days of invoicing, including agreeing plans to clear any outstanding debts.

Impact and outcome

In 2021, DHSC confirmed it had implemented all of the NAO’s recommendations. Actions taken included: improving the timeliness of billing, more engagement with customers, and closer working with NHS England and NHS Improvement regional teams to resolve issues. DHSC has confirmed that the actions taken resulting from NAO recommendations have already saved the NHS more than £180 million.

Financial impact

Reducing the cost of electricity networks

What we did


Ofgem regulates electricity network companies, which take electricity from the power plants where it is generated to homes and businesses where it is used. The network companies have a crucial role to play to support carbon emissions reductions in the energy sector and the wider economy.

Our [2020 report](#) found that under Ofgem's regulatory framework, network companies had to provide a good service, but that this service cost consumers more than it should have. Ofgem set targets too low and budgets too high, and compounded the impact of these by extending the regulatory period from five to eight years. We also found that better use of evidence could have saved consumers at least £800 million.

Impact and outcome

We recommended that Ofgem ensures that it sets more stretching targets for network companies in the next regulatory period, while building enough flexibility into the price controls to respond to unexpected developments. Ofgem and the government agreed to these recommendations, and as a result Ofgem has reduced the cost of capital allowed for electricity network companies for its new price control period, which commenced in 2021. Ofgem has confirmed that so far this has saved the taxpayer more than £150 million.





91%
of our recommendations have been accepted or partially accepted by government

As a result of these changes, DWP has confirmed that it has saved £142 million in two years



Department for Work & Pensions

chrisdorney – stock.adobe.com

Financial impact

Reducing fraud in Universal Credit advances

What we did

Our 2020 report on [Universal Credit advances fraud](#) found that the Department for Work & Pensions (DWP) was only using simple manual methods to detect fraud in Universal Credit advances, which peaked at more than 15,000 fraud referrals per month in 2019. We recommended that DWP produces a measure of fraud in the advances, as this was not included in its overall Departmental estimate of fraud and error in benefit expenditure.

Impact and outcome

DWP accepted the need to measure advances fraud, and in line with our wider work on fraud and error has since introduced a number of measures to reduce the level of fraud. This included enhancing its identity verification and trialling a machine learning model to identify suspected fraud before the payments are made. As a result of these changes, DWP has confirmed that it has saved £142 million in two years.

Wider impacts

Our impact is not just measured by financial savings – 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.

We have recorded substantial wider impacts helping government to become more efficient, effective and transparent





Early indications are that the DfE has significantly improved its oversight of its agencies



Wider impact

Improving governance within the Department for Education

What we did

After our annual financial audit of the Department for Education's (DfE's) 2021-22 accounts, we recommended that the DfE, and specifically the departmental Audit and Risk Committee, should host separate committee sessions for its agencies, in particular the Teaching Regulation Agency (TRA) and the Standards and Testing Agency (STA). This would give the Departmental Accounting Officer time to ensure that each agency's audit findings, plans and conclusions were discussed in more detail, and for specific issues to be raised.

Impact and outcome

The DfE accepted the recommendation and made the necessary arrangements. Early indications are that the DfE has significantly improved its oversight of its agencies, and the Department's Audit and Risk Committee has taken a more detailed interest in the two agencies' audits. This has given Committee members a better view of the agencies' operations, and also the agency accounting officers a better platform to discuss operational issues.

Wider impact

Rough sleeping and homelessness

What we did

Our work analysing and evaluating rough sleeping and homelessness in the UK is long-standing and we continue to highlight recommendations in this policy area. In September 2017 we published a [report on homelessness](#), which assessed whether the Department for Communities & Local Government (as it was known at the time) was achieving value for money in reducing homelessness. The report highlighted the need for a cross-government homelessness strategy. We followed this report up in 2021 when we published [findings from our rough sleeping in the pandemic investigation](#). A key finding of this report centred around the need for greater transparency on rough sleeping.

Impact and outcome

Government is now more collaborative in its approach, with an emphasis on cross-government working. A rough sleeping strategy was published in September 2022, which has called for joint working between central government, local government and the voluntary sector, to build on lessons learned from the response to end rough sleeping during the COVID-19 pandemic.

Along with this, the government has also improved transparency with the commitment to regularly publish more data on homelessness to aid accountability.

Wider impact

Strengthening evaluation across government

What we did

Evaluation helps government to make better decisions. Our report on [evaluating government spending](#) published in December 2021 found that the use of evaluation in departments continues to be variable and inconsistent, and government has been slow to address barriers to improvement. We also found that HM Treasury was not making full use of its spending levers to ensure that robust evaluation evidence sits at the heart of government spending decisions. We recommended that HM Treasury should strengthen incentives for departments to carry out evaluation.

Impact and outcome

Our work has given impetus to HM Treasury's plans to prioritise evaluation as a condition for departments in future spending. In their latest Spending Review settlement letters, HM Treasury asked departments to publish an evaluation strategy and to provide clarity on their evaluation plans. In addition, as a result of our report's recommendations, HM Treasury and the Cabinet Office Evaluation Task Force have developed a system that tracks departments' actions against the conditions that are set for funding settlements and uses it to monitor and report progress on evaluation.

Wider impact

Supporting improvements in the oversight of analytical standards across government

What we did

Our recent reports on evaluating government spending and [financial modelling in government](#) together found that:

- no single body was responsible for upholding evaluation and modelling standards and monitoring their implementation; and
- there were no systematic arrangements at the centre of government for following up on whether departments are complying with government-wide requirements.

Impact and outcome

Our reports on evaluation and modelling have helped improve the governance of standards covering analysis work carried out in government departments. Since their publication, the government's Analysis Function has set up a new steering group to oversee the ownership and maintenance of analytical guidance. It has also developed an assessment framework to monitor and support the implementation of new analysis standards by government departments.

Wider impact

Achieving better accountability through accounting officer (AO) assessments

What we did

In July 2022, we published a report considering the extent to which, for major programmes, [AO assessments](#) were supporting good decision-making and providing transparency over significant spending decisions. AO assessments comprise a critical part of HM Treasury's controls and processes by providing a framework for AOs to scrutinise spending decisions against the four standards of regularity, propriety, value for money, and feasibility set out in *Managing Public Money*.

In 2016, HM Treasury made AO assessments a requirement at certain points in major programmes and it required summaries of assessments to be published unless there were overriding sensitivities.

Our data analysis indicated AOs were not consistently publishing and sharing their AO assessments in line with HM Treasury guidance, and they were often late and lacking detail.

Impact and outcome

As a result of our findings, HM Treasury reiterated the importance of AOs' compliance with AO assessments requirements, including AOs ensuring that any outstanding summaries are published by the beginning of September in line with their responsibilities. In future all summary assessments should be published in a timely way. It also clarified the guidance on how AO assessments are shared.

“

The NAO’s recommendation crystallised a shared requirement for formal cross-functional structures providing oversight at Weybridge

”

Department for Environment, Food & Rural Affairs



William - stock.adobe.com

Wider impact

Improving risk management across the Weybridge animal science site

What we did

Our 2022 report [Improving the UK’s science capability for managing animal diseases](#) highlighted that the Department for Environment, Food & Rural Affairs (Defra) needed to do more to integrate risk management across the entire Weybridge site and recommended implementing a system-level view of risk at the Weybridge site, with clear ownership and accountability. Defra acknowledged the value of our work and has implemented a ‘One Weybridge’ approach to risk management at minimal cost. This involves risk owners identifying cross-cutting risks where the impact and/or mitigating actions extend beyond their control. These cross-cutting risks are monitored by an informal grouping of risk managers and changes clearly communicated across the Weybridge network. The approach is overseen by

the Science Facilities Joint Management Board, which has also developed a programme of ‘deep-dives’ into priority cross-cutting risks to understand where lessons can be learned. A ‘One Weybridge’ approach to wider governance is also developing and lessons from this approach could be applicable across Defra’s wider portfolio of programmes.

Impact and outcome

Defra stated that “the NAO’s recommendation crystallised a shared requirement for formal cross-functional structures providing oversight at Weybridge. The work delivering the action on coordinated risk management has had wider implications, focusing all agencies on the need for formalised collaborative governance”.

Wider impact

Improving alignment and joint working between the Department for International Trade and UK Export Finance

What we did

Our 2020 report, [Department for International Trade and UK Export Finance: Support for exports](#) identified areas where the former Department for International Trade (DIT, now the Department for Business & Trade) and UK Export Finance (UKEF) could work better together. The NAO and PAC's recommendations provided impetus to DIT and UKEF to agree a Memorandum of Understanding (MoU) in March 2021. The MoU sets out how DIT and UKEF, within their respective remits, will jointly deliver shared objectives for trade, exports and investment.

Impact and outcome

The MoU has helped DIT and UKEF align their activities, and work more effectively together to support UK companies exporting worldwide. It has helped to improve training, joint working overseas and information sharing. It has enabled UKEF to make better use of DIT's connections and identify more opportunities to provide the financial support and guarantees that UK companies need to win export contracts.

Wider impact

Helping inform effective use of public money to address remaining barriers to the take-up of electric vehicles

What we did

The number of ultra-low emission cars on UK roads has increased but meeting the government's ambitious targets to phase out new petrol and diesel cars in less than a decade still requires a major transition for consumers, car makers and those responsible for charging infrastructure.

Our report [Reducing carbon emissions from cars](#) recommended that the Office for Zero Emission Vehicles (OZEV) should undertake a review of market interventions to date in order to learn what has worked well and to inform effective use of public money to address remaining barriers to the take-up of electric vehicles.

Impact and outcome

OZEV undertook an evaluation of its key schemes for electric vehicle charging infrastructure, which helped support government decisions to close early intervention schemes and prioritise those that support the UK charging infrastructure. OZEV is also developing markers of progress, including indicators to track the uptake of electric vehicles.

Our long-term impacts

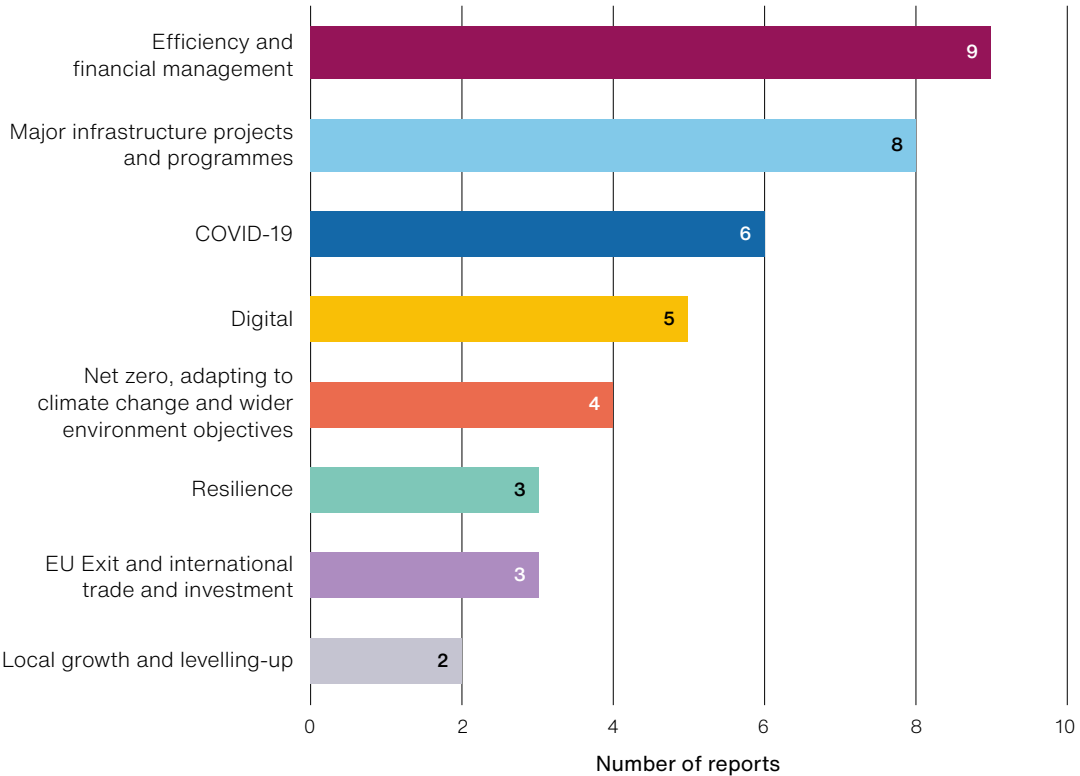
In our work we focus on the issues that matter most to public spending. We place great emphasis on areas where we can influence long-term value for money. Our work responds to the long-term implications of government’s plans, including the lasting effects of government’s financial management and its progress on efficiency, big infrastructure projects, the impact of the COVID-19 pandemic on public spending, digital transformation, progress towards the net zero emissions target, and building resilience, for example in the energy sector. We have also continued looking at the impact of the UK leaving the EU, including how UK regulators managed taking on new responsibilities following EU Exit, and local growth including levelling-up. In the past year, we have published 40 reports on long-term VFM issues, including nine on efficiency and financial management (**Figure 6**).



Figure 6
 National Audit Office (NAO) reports on long-term value-for-money (VFM) risks, 2022-23

The NAO published 40 long-term VFM risk reports covering topics including efficiency and financial management, major infrastructure project and programmes, COVID-19, digital and others

Long-term VFM risks



Source: National Audit Office analysis of published value-for-money reports

We regularly report on the value for money with which government departments and agencies carry out their major projects and programmes, building insights and lessons for government along the way

Efficiency and financial management

Our work focuses on examining whether the government is getting the best value out of the available resources. We have assessed the efficiency of delivery of government's operational services including investigations into the performance of the HM Passport Office and the UK Security Vetting services; and we examined HMRC's implementation of Digital Service Tax and how the Home Office tackles fraud.

Major infrastructure projects and programmes

We regularly report on the value for money with which government departments and agencies carry out their major projects and programmes, building insights and lessons for government along the way. Highlights this year included:

- reporting on long-term infrastructure programmes, such as the High Speed 2 (HS2) rail project and on managing expenditure to ensure the Armed Forces get the equipment they need to meet their military objectives; and
- generating lessons from auditing the largest and most challenging government programmes to draw together insights to help decision-makers determine whether they should reset a programme and how to increase the chances of a reset succeeding.

COVID-19

We continued reporting on the COVID-19 pandemic to help Parliament understand government's response and hold it to account. We carried out a substantial programme of audit work and developed expert insights to help ensure that appropriate lessons are learned for the future. Highlights this year have included:

- publishing the final version of our COVID-19 cost tracker, setting out government's spending commitments from its response to the pandemic;
- examining government's plans for recovery with reports on the employment support grant scheme and backlogs and waiting times in the NHS; and
- focusing on educational recovery in schools in England and local authority Covid grant schemes.

All the information is published as an interactive data tool which allows users to examine the data on government's COVID-19 measures in a transparent and accessible way



Wider impact

Better transparency: the COVID-19 cost tracker

What we did

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 measures introduced by government to support the public and the economy during the pandemic. We have updated the tracker a further four times, with the [final version published in June 2022](#). All the information is published as an interactive data tool which allows users to examine the data on government's COVID-19 measures in a transparent and accessible way. It is the only single source of COVID-19 costs for England, which are estimated to be £376 billion.

Impact and outcome

HM Treasury has committed to an annual update, for the next two years, on costs where there have been material changes that can be reliably attributed to the COVID-19 pandemic and it plans to apply the benefits of the model, such as increased transparency about the full picture of cross-government spending, to other areas of public expenditure where possible.

Diversity in our work

In our value-for-money and wider assurance work, we consider the range of perspectives of users of public services and examine the effect public spending has on different groups of people. We also ensure that we reach diverse groups when communicating our work. In 2022-23, we published 19 reports that considered the differential impact of services and policies on different groups of people. Below we present some of their examples.



We used positive and authentic imagery and language to represent the different demographic groups and avoid stigmatising mental health patients



Case study

Progress in improving mental health services in England

Our February 2023 value-for-money report, [*Progress in improving mental health services in England*](#), examined government efforts to expand and improve NHS-funded mental health services. We found that the NHS had taken some important first steps towards closing the historical gap between mental and physical health services. The funding and workforce for mental health services had increased and more people had been treated. However, staff shortages continued, and many people still could not access services or had lengthy waits for treatment.

Our interviews with stakeholders highlighted that some groups had poorer experiences accessing or using services, including children and young people, people from minority ethnic groups, LGBT people, and people

with complex needs or more than one diagnosis. Although NHS England had taken action to improve data and to reduce known inequalities, the impact of initiatives was not yet clear. In our survey of local integrated care boards, only two of 29 said they had all or most of the data needed to assess variations in patients' access, experiences and outcomes.

When it came to publicising this report, we used positive and authentic imagery and language to represent different demographic groups and avoided stigmatising mental health patients. We liaised with various mental health non-governmental organisations (NGOs) to amplify our findings among those focusing on the needs of minority groups.

Case study

Education recovery in schools in England

In February 2023, we published a [report](#) evaluating whether the DfE was achieving its objective to help pupils recover learning lost during the COVID-19 pandemic.

DfE had announced a £4.9 billion package of measures to support education recovery within early years, schools and education for 16- to 19-year-olds. Of this, £3.5 billion was allocated for schools. DfE said that support should be targeted at disadvantaged pupils, given their greater learning loss, but gave schools freedom to decide how best to help pupils catch up.

We found that children were generally making progress to recover lost learning, but disadvantaged pupils remained further behind the expected level of attainment than other pupils. The disadvantage gap index at the end of primary school was 3.23 in 2022,

compared with 2.91 in 2019. Left unaddressed, lost learning may lead to increased disadvantage and significant missed future earnings for those affected.

In particular, DfE set out to focus the National Tutoring Programme (NTP) on disadvantaged children, although schools were free to choose which pupils would benefit most from support. In 2021/22, around half of the pupils receiving tutoring under the NTP were disadvantaged. The proportion was 51% for the tuition partners scheme, short of DfE's target of 65% for that scheme, and 47% for school-led tutoring.

The report's recommendations included that DfE should further develop its approach to monitoring and reporting on progress towards achieving its ambitions for pupils' attainment.

Case study

The energy supplier market

In June 2022, we published a report on [The energy supplier market](#). It set out the facts regarding the failure of 29 suppliers during 2021 and 2022 and evaluated the role of the Office of Gas and Electricity Markets (Ofgem) and the Department for Business, Energy & Industrial Strategy (BEIS).

We found BEIS and Ofgem ensured the four million customers whose supplier failed did not experience an interruption to their energy supply. However, we also found that many customers of failed suppliers

experienced increases in their bills and other challenges. These included uncertainty regarding transfer of protected credit balances; loss of debt repayment plans, which particularly impacts on vulnerable households; and the inability to resolve issues relating to the supplier which had gone into administration.

Our recommendations focused on learning lessons from the failures and improving support to customers, including those who are vulnerable.

We recommended that Sport England checks its distribution of funding supports its objective to target lower socio-economic groups



Case study

Grassroots participation in sport and physical activity

Our report, *Grassroots participation in sport and physical activity*, published in July 2022, examined how far the Department for Digital, Culture, Media & Sport and Sport England achieved value for money in spending on grassroots sport and physical activity.

Our report found national participation rates increased modestly between 2016 and 2019, but progress with specific less active groups was mixed despite being a strategic focus. Sport England set four-year targets to 2020 for two less active groups: immediately before the COVID-19 pandemic, it was on target for lower-socio-economic groups, but among women aged 16–60 the rise was only 18% of target. For less active groups without a target, the over-75s and disabled

people experienced statistically significant increases in activity levels, but there was no such increase in Black or Asian ethnicity groups. Activity rates fell during the pandemic, exacerbating inequalities in activity for the least affluent, Asian people and disabled people.

We also reported that Sport England sought to rebalance its funding towards the inactive. Overall, however, the share of local grants awarded to the most deprived local authorities was less in the five years from 2016-17 than in the previous five years. We recommended that Sport England checks that its distribution of funding supports its objective to target lower socio-economic groups.

Accessible independent insight



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

“

The NAO is particularly good at producing guidance... I do a lot of training on governance and accountability for other arm's-length bodies and I'm always highlighting to them the guidance that the NAO produces because it's high-quality stuff...

”

Audit and Risk Committee (ARAC) chair,
NAO survey of senior officials in bodies
we audit 2022



Our insights and accessible data

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. To share our insights on these issues, in 2022-23, we published 11 good practice guides, one lessons learned report and three data visualisations.⁹

Good practice guides

Case study

How to improve operational services

This series of good practice guides shares practical tips on how to improve the quality and efficiency of day-to-day services provided by government. The guides are for people in organisations that provide or manage individual services, or parts of them. They cover three themes that will help improve quality and reduce costs in services: [managing demand](#), [using information](#), and [systematic improvement](#).

Case study

Guide to corporate finance in the public sector

Government and the public sector have used corporate finance techniques to support and implement a range of policy objectives and interventions. This is particularly true of the government response to the global financial crisis and the COVID-19 pandemic. This guide addresses the complex topic of corporate finance in the public sector and includes key questions to ask when scrutinising corporate finance activities.

Case study

Use of Agile in large-scale digital change programmes

Agile ways of working emphasise flexibility and iterative delivery for certain types of change. Understanding what is appropriate assurance over the management and control of Agile change, in this context, is crucial. We have produced this guide to help ARACs ask appropriate questions of their organisation's management when undertaking large-scale digital change programmes using Agile methodologies. Our aim is to support ARACs and senior leaders who may feel that Agile introduces uncertainty and relative novelty to large-scale digital business change.




61.4

out of 100
**Average Article
 Rating (AAR)
 achieved**

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

⁹ Lessons learned reports are part of our major work programme outputs and are included in the 62 published VFM reports and wider assurance products, while good practice guides and data visualisations are part of our work to provide greater insight.



We were awarded the 'Achievement in financial reporting and accountability' award for our 2020-21 Annual Report and Accounts by the Chartered Institute for Public Finance and Accountancy (CIPFA)

Good practice guides *continued*

Case study

The DECA: Understanding challenges in delivering project objectives

A constantly evolving economic, political and social environment can significantly impact how government projects are delivered and the outcomes they may achieve. The Delivery Environment Complexity Analytic (DECA) aims to provide audit teams and organisations with a tool to help understand the risks arising from the external delivery environment and steps that can help address these complexities. Although every project is unique, the factors which need to be considered are constant. The DECA outlines 12 factors to consider.

Lessons learned

Case study

Lessons learned: Resetting major programmes

We have audited major government programmes, reporting on them multiple times, including before and after they are reset. Given their lengthy duration, external factors such as inflation changes can complicate these programmes, affecting their intended outcomes and cost. Resetting a programme may be necessary in such cases.

This report uses our experience of auditing programmes to draw together insights to help decision-makers determine whether they should reset a programme and how to increase the chances of a reset succeeding.

Data visualisations

Case study

Find a local public body's audit report

Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money. External auditors have a key role in providing independent assurance on whether these arrangements are strong enough and recommending any action. This map allows users to explore where auditors have issued non-standard reports locally in the NHS and local government in England.

Case study

Integrated Care Systems Visualisation

This interactive tool provides a map of England allowing users to explore a range of data aggregated at Integrated Care System levels.



Sharing our expertise

We use diverse digital channels to increase awareness and engagement with our work. Our reports and blogs are published on our website, and promoted via concise, engaging animations and videos on Twitter and LinkedIn. Our social media posts achieved a total of 1.5 million impressions in 2022-23, and our email alerts reached more than 53,000 subscribers.¹⁰


In summer 2022, we significantly upgraded our website (www.nao.org.uk), so that stakeholders could find content more easily, and to improve accessibility. Last year we had an average of 118,000 page views per month and more than 145,000 PDF reports were downloaded.

We also published blog posts on a range of topics, such as the challenges of Agile at scale, regulation following EU Exit, and delivering efficient services.

In 2022-23, we spoke at more than 100 external events, enabling us to share our work, inform valuable discussions about key issues facing government, and gain feedback. We also hosted several events at NAO's offices and in Parliament, including the C&AG's inaugural annual speech in December and events focused on climate risk and regulation after EU Exit.

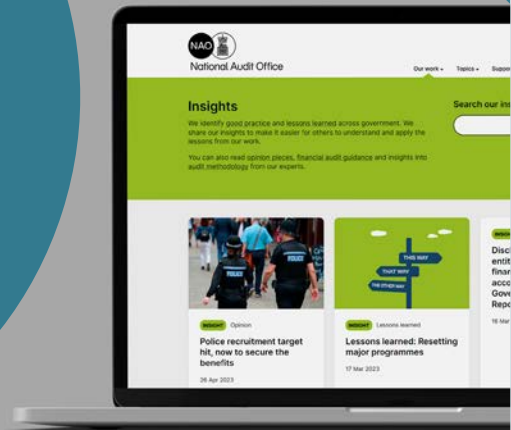
For more on our insights work, see our website: www.nao.org.uk/insights

¹⁰ Impressions are the number of times a post was seen in a social media feed.



11
good practice
guides
published

Improvements in user experience and accessibility mean we are now ranked in the top 20 government and public bodies' websites for digital capability



Case study

A new NAO website to better meet user needs

Our new website (www.nao.org.uk) successfully launched in September. Our old website had served us well for nearly a decade, but we knew from research with stakeholders that there were many ways it could be improved. In particular, the old site made it harder for users to find our cross-cutting insight content.

The new site makes our work, including those insights, easier to find, and works better on mobile phones. The site has a new look based on our refreshed branding, and improvements in user experience and accessibility mean we are now ranked in the top 20 government and public bodies' websites for digital capability.¹¹

Feedback has been positive, including praise from the Chair of TPAC on our “marvellous website”. We continue to work on improvements to make the site more usable and helpful for our stakeholders.

11 Sitemorse Digital Capability Index, Q1 2023.



Our people



This section is an overview of progress we have made on our strategic enabler to attract, retain and develop high-quality people. This section contains information on supporting and developing our people, diversity and inclusion and sickness data.



Supporting and developing people

We want our people to be proud of being part of our diverse, inclusive and healthy workplace. 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. We conduct regular surveys of all colleagues to capture their views in a range of areas. These include questions on engagement, their underlying drivers and values, together with questions on NAO-specific matters.

We introduced a monthly people survey in February 2021. We have since moved to a quarterly survey. This change has increased participation rates and afforded more time to review the feedback, take actions and communicate outcomes (**Figure 7** overleaf).

In line with other organisations, we faced a range of difficult economic conditions this year impacting on people's engagement, including high inflation and increased staff turnover. Our workload was also high as we focused on bringing the timeliness of accounts certification back towards pre-pandemic levels. As a result, our engagement scores were lower. This year, we continued our focus on people development and identified three areas for specific attention: workload; pay; and growth and career development. These include agreement of an increased resource budget, an organisation-wide pay review and a focus on recruitment. We developed a range of initiatives to support personal growth including development of our managers, offering career coaching and dedicated learning support for specific teams.

Our Employee Value Proposition, which we are reviewing in 2023-24, encompasses other aspects of our offer to employees, which enable us to recruit and retain high-quality staff. This goes beyond material benefits, including salary, pension and leave entitlements, to consider how we work, the opportunities to develop and grow, and the wide variety of work we offer because of our unique organisational role.

Developing our people

In the third year of our strategy our focus for learning and development was to support staff in applying the new methodology and tools being developed under our Audit Transformation Programme. We delivered an innovative and fully immersive in-person learning experience to all our financial auditors, using our new learning experience platform (see 'Go Live' case study on page 75). Complementing this technical learning we have delivered courses developing personal skills around time management, responding to change, and sharing expertise.

We adapted our learning offer to incorporate the best of what we absorbed when working fully remotely during the COVID-19 lockdowns into our new hybrid way of working. We continue to develop our learning culture – integrating learning and work; encouraging self-curated learning; providing people managers with skills and resources to help their teams maximise learning; and increasing our skills in collaborating and learning through others. We also have a dedicated interactive learning system (Thrive) to support skills and knowledge development.

In 2023-24, we will continue to support staff as part of the Audit Transformation Programme, as our people start to use the new end-to-end audit management system. We will work with experts to develop our VFM technical skills training; focusing on synthesising evidence and communicating our findings. We will also build on personal development plans and learning needs analysis to develop leadership, project management and data literacy skills.



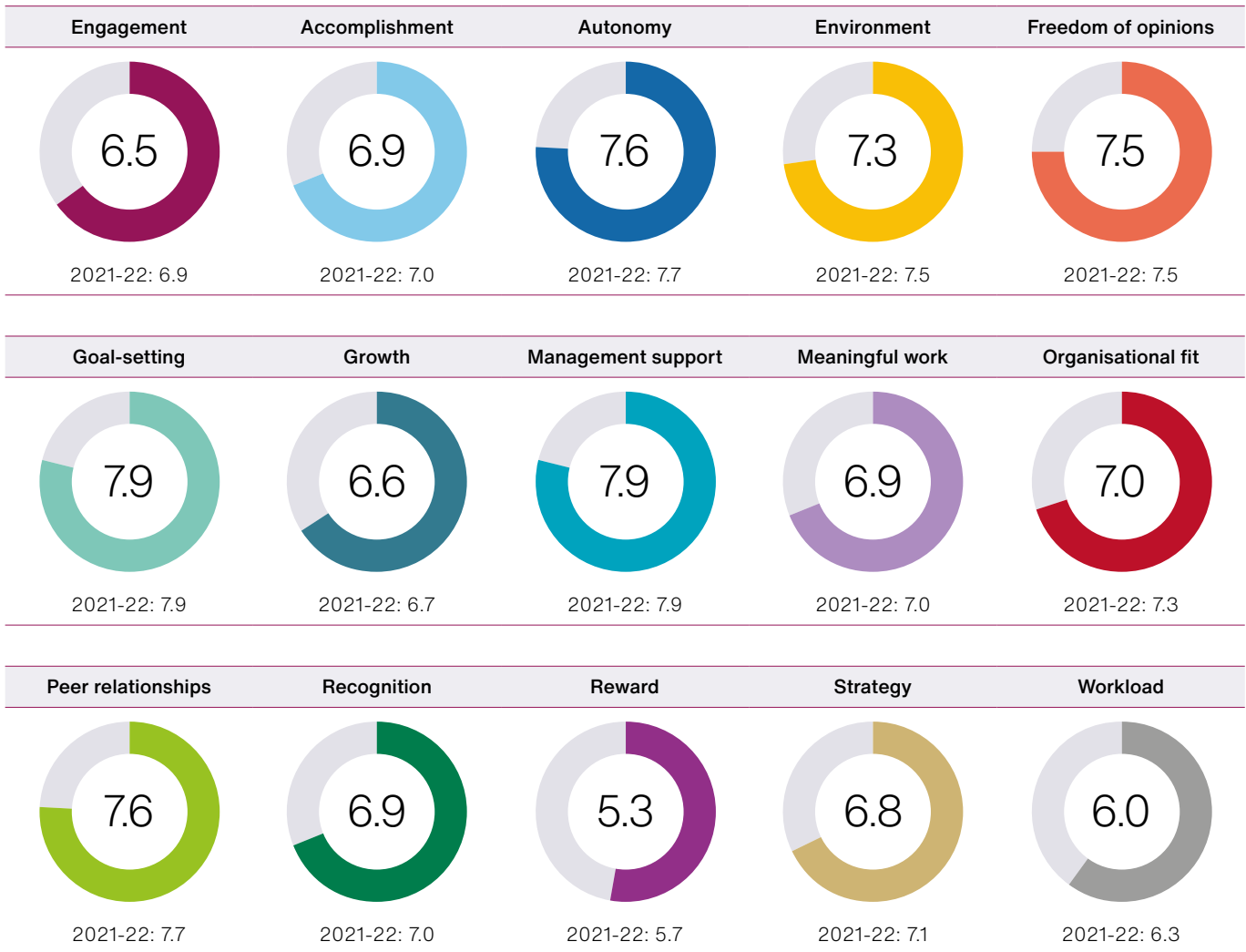
7.9

out of 10 score
for our staff
saying that they
have the right
management
support in
their work in
this year's
people survey

Figure 7

People survey results 2022-23

Average driver results out of 10



Notes

- 1 We have a bank of 57 questions including on engagement, our values and strategy, as well as opportunity to provide open feedback. The results are summarised under 15 drivers. These drivers measure how satisfied employees are with the culture, leadership and responsibilities that make up their experience at work.
- 2 Initially, we ran the people survey monthly. From July 2022 we moved to a quarterly survey. The scores presented are based on an aggregated average score (range from 0 to 10) from the 12 months to March 2023.

Source: National Audit Office analysis of people survey

Content is driven by the interests people select for themselves and there are opportunities for social learning



Case study

Thrive

This year we introduced a new Learning Management System, Thrive. Through Thrive our people have access to drive their own development with online learning resources, including eLearning, videos, articles, podcasts and book suggestions. The platform is accessible via our laptops and on mobiles. Content is driven by the interests people select for themselves and there are opportunities for social learning.

In selecting our new system, we considered the needs of our people to learn in a way that suits them at the time they need it. Thrive allows for stand-alone bitesize pieces of learning as well as 'pathways' that a learner can work through at their own pace. The introduction of Thrive has allowed us to offer a wide breadth of learning content, and different ways of engaging with learning, to maximise the opportunities for development to our diverse workforce.



6.39%
gender pay gap

A reduction of 1.87 percentage points from 8.26% on 31 March 2021

Diversity and inclusion

Our ambition is to be an exemplar organisation, including for diversity and inclusion (D&I), one that others look to learn from. D&I is about seeing people as unique individuals and ensuring the NAO is at its strongest by embracing all identities and perspectives. It is important that everyone feels valued and able to contribute regardless of their background or working style. We want colleagues to feel confident being themselves and to see the NAO as a fantastic place to develop their career. This vision is woven into our value of inclusion and respect.

We published our new *D&I Strategy* in 2021, to frame our approach and provide clarity on those areas we most need to improve. The D&I strategy 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.
- Setting clear ambitions and holding ourselves to account.

The D&I Strategy is supported by a series of clear, ambitious targets, which we report against on a quarterly basis. Our Diversity and Inclusion Operational Committee (DIOC) and our Executive Team monitor progress and provide challenge to the pace and direction of change. We also publish our progress externally through our D&I annual report.

In 2022-23, we:

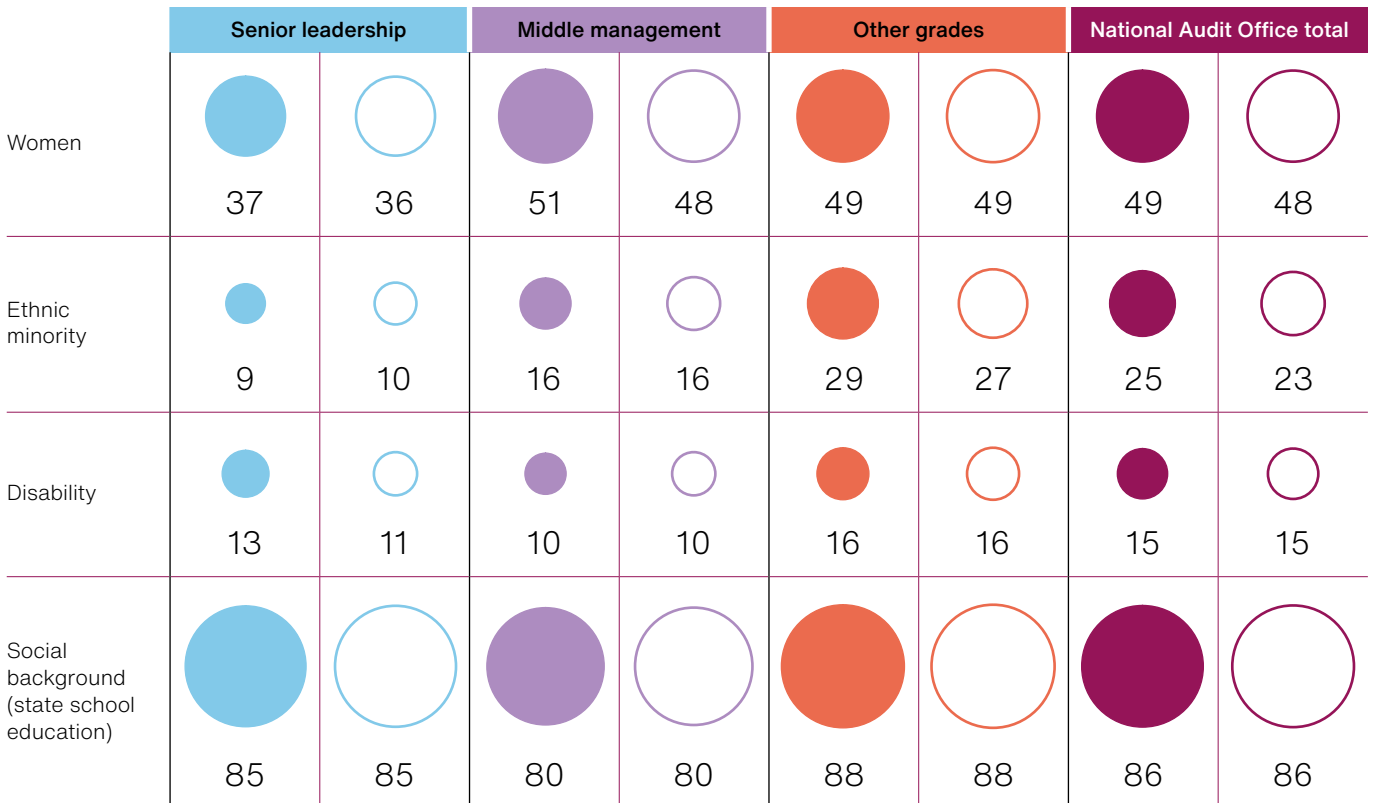
- continued to exceed our annual target of ethnic minority trainees recruited to our training schemes of 40%;
- increased the proportion of ethnic minority colleagues working at the NAO from 23% in 2022 to 25% in 2023 (**Figure 8**);
- increased the proportion of women in senior leadership roles (37%) and middle management grades (51%);
- exceeded our 2023 target of disabled colleagues employed by the NAO by two percentage points (13% target v 15% actual), with 13% of senior leaders having a declared disability; and
- increased our ranking on the social mobility employers index from 77th in 2021 to 55th in 2022 (Social Mobility Foundation).

Despite these improvements in representation, we face a challenge in retaining ethnic minority colleagues once they progress to our post-qualification grades, which is affecting our ability to meet our representation targets at middle management and senior levels. We also face a challenge in securing a gender balance in our trainee grades, with females under-represented in our annual intakes.

Figure 8

Staff composition as at 31 March 2023

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



● 2022-23

○ 2021-22

Notes

- 1 Data as at 31 March 2023 (a snapshot in time).
- 2 Senior leadership = Executive Director/Director; Middle management = Audit Manager/Band 1; Other grades = all other grades.
- 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 1% 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 24%.

Source: National Audit Office analysis of Human Resources data



5

average number
of objectives
achieved per
person in
their personal
development
plan in 2022-23

Case study

Diversity mentoring programme

Our diversity mentoring programme focuses on developing inclusive leaders who challenge their own thinking and look to better understand those with whom they work. The programme helps to grow understanding of organisational culture, challenge thought patterns and provide fresh perspectives to the way leaders interact with others and make decisions. It also builds confidence among mentors to challenge leadership and provides the opportunity to influence D&I in the organisation.

December 2022 marked the end of our second diversity mentoring programme, which paired senior leaders with mentors from diverse groups across the business. Here are some comments from participants reflecting on their experience and the insight they gained.

“I benefited from having space to talk and share experiences that prompted new insights and reflections from both of us. Practising mentoring skills around encouraging reflective thinking through coaching-style questions, and personal accountability as well as sharing lived experiences and practical advice.” **(Mentor)**

“Discussing my experiences openly helped validate them and gave me the confidence to talk to others more openly and raise issues I probably would not have otherwise.” **(Mentor)**

“I’ve gained greater awareness of neurodiversity and how it impacts on work experiences – therefore more thoughtful in considering this in my actions.” **(Mentee)**

“I now take time to think about responses and challenge the first thought.” **(Mentee)**

We continued to embed our commitment to D&I into all our recruitment and promotion practices, ensuring fair and open processes giving all candidates the opportunity to demonstrate their potential.

We market our vacancies across a range of job boards and social media to attract a wide range of candidates; monitor diversity at all stages of our recruitment campaigns; and ensure that selection panels and the groups of candidates participating in assessment days are diverse.

In 2022-23, ethnic minority candidates made up:

- 45% of our graduate recruits;
- 39% of our experienced hires; and
- 25% of our internal promotions.

Female candidates made up 50% of our promotions overall and 63% of our promotions to the Audit Manager grade.

In 2023-24, we are excited to launch a new Audit Manager grade in our financial audit service line as an outcome of the pay framework review. This will enable us to offer earlier progression to our talented staff and support us in strengthening the diversity of our pipeline to senior grades.

We developed a new pay framework which offers opportunities for career and pay progression. It is competitive in the external market. In developing the new pay framework, we consulted with colleagues across the business and with our trade union. We intend to backdate changes to April. Due to the high volume of individual salary ranges for corporate staff, we have been running a separate review for this group over a longer timeframe, and will also backdate any changes to April.



Diversity pay gaps

Since 2017 the NAO has made an annual declaration of our gender pay gap as required by legislation. While reporting on other diversity pay gaps is not mandated, in 2020 we made the decision to voluntarily publish data on our ethnicity pay gap. We have voluntarily published data on our disability pay gap since 2021.

In December 2022, we published our diversity pay gap report based on pay data as of 31 March 2022. Continued reductions in our mean and median pay gaps for gender give us confidence that we remain on track to eliminate this pay gap by our target date of 2027. However, we have seen increases to our ethnicity and disability pay gaps, principally because of the high proportion of trainees we have recruited with these protected characteristics. Increasing the diversity of our intakes is a key element of our D&I Strategy as it provides us with the opportunity to increase our diversity at senior levels over time. However, in the short-term, our office-wide pay gaps for ethnicity and disability will widen because our feeder grades are lower paid. For more on the progress we have made and how we intend to close the pay gap further, see **Figure 9** overleaf, our [Diversity pay gap report – 2022](#) and our [Diversity and Inclusion Strategy 2021–2025](#).

We maintained a dedicated area on our intranet for advice and support on managing physical and mental health and have an employee assistance programme available

Figure 9
Diversity pay gaps, 2021 and 2022

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

	Gender	Ethnicity	Disability
	(%)	(%)	(%)
Mean gap	6.39	14.5	6
Percentage point change from 31 March 2021	-1.87	1.74	3.8
Median gap	5.46	19.25	3.25
Percentage point change from 31 March 2021	-0.93	1.21	3.25

Source: National Audit Office, [The National Audit Office diversity pay gap report – 2022](#), December 2022

Sickness absence

We are 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 2022-23, to an average of 7.5 days (2.9%) per employee from 5.6 days (2.2%) in 2021-22. Absence was highest during the second half of 2021-22 and the first half of 2022-23 and has since reduced.

In 2022-23, mental health was the primary cause of sickness absence, resulting in an average of 1.7 days (0.6%) off work, followed by COVID-19 symptoms, which accounted for an average 1.2 days (0.4%) off work.

We maintained a dedicated area on 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.

In response to rising sickness absence rates the NAO Executive Team agreed a series of actions including designing an organisational wellbeing plan. Through this work, we will continue to consider how best to promote wellbeing to our employees and continue to monitor our sickness absence rates, and the reasons behind absences, to inform our actions.



Technology, data and knowledge



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



Digital audit

Our Audit Transformation Programme is improving the quality and efficiency of our audits and will bring greater insights to the organisations we audit through a refreshed methodology and modern technology. During 2022-23, we trained all our auditors in the new methodology and incorporated it within all our audits. We also rolled out our new in-house developed app (our Risk Assessment and Planning Tool) to support our auditors in their risk assessment and commenced pilots of our new audit management system (AMS) based on the Microsoft Powerplatform. AMS will better support auditors in delivering their audits through, for example, guided workflows, integration with other NAO systems, better project management tooling and automation. The system will be rolled out across financial audits in autumn 2023 with further enhancements in 2024 (**Figure 10** overleaf).

We continue to expand and evolve our use of modern digital audit techniques. These broadly consist of the evaluation of system control design, walkthrough of its implementation and test of its operation; and the development of data analytics tools.

Our data and analytics work relies on our data platform called AIMS (Audit Information Management System) which collates, stores and enables our teams to process data through analytical tools. To add to our portfolio of tools, we recently launched our new AIMS-based Sampling App, which facilitates an easier, more efficient and robust approach to sampling in increasingly large datasets.

For 2023-24, we have identified a range of commercial applications that may supplement our data acquisition, processing and analytical capabilities. We also developed a range of capabilities that support the provision of assurance about complex and high-risk models underpinning financial estimates. These use automation to improve efficiency and quality.



450+

financial audit colleagues completed 'Go Live' audit transformation training

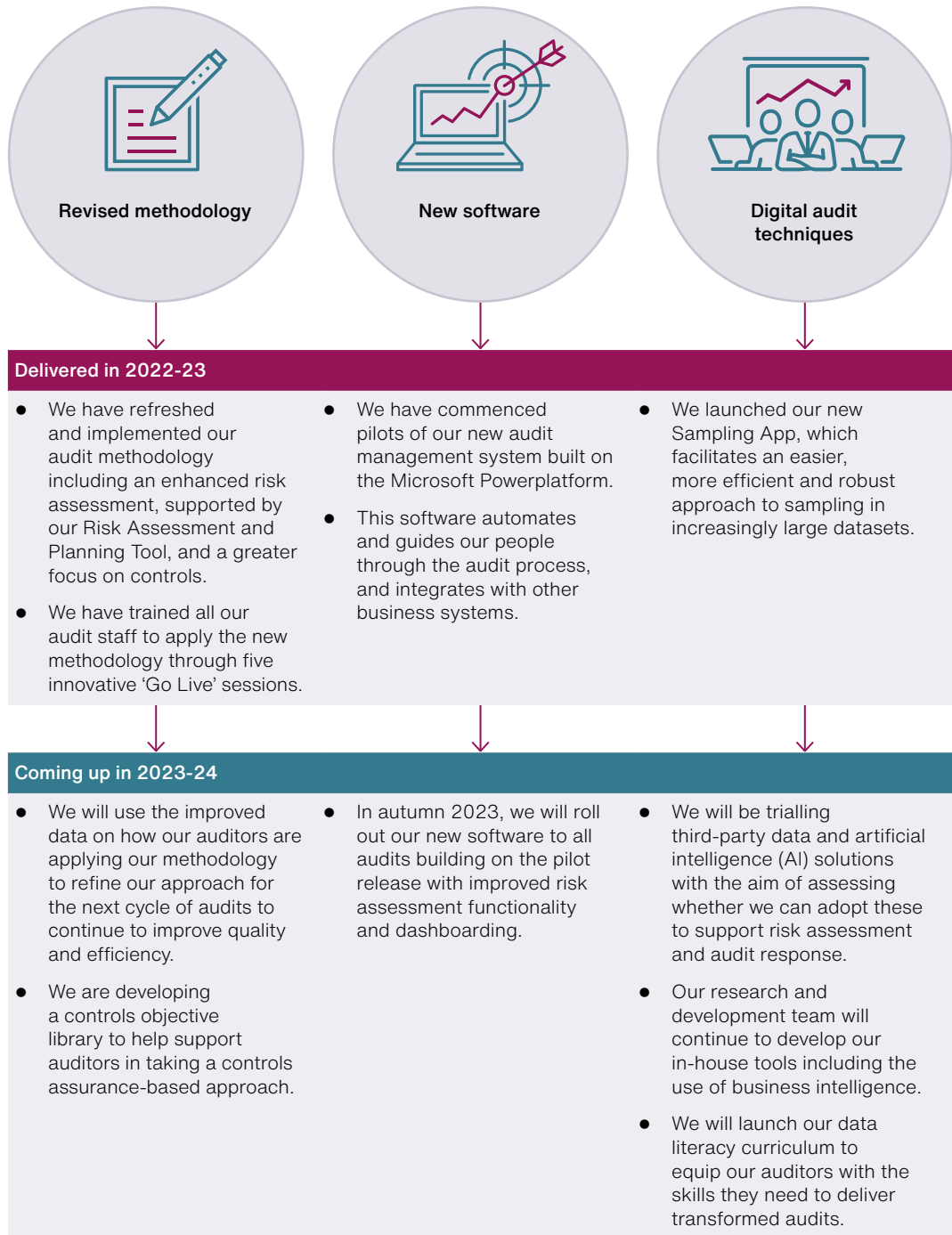




Figure 10

The National Audit Office (NAO) 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. During 2022-23, we successfully delivered the first phase of the programme with our revised methodology rolled out across our audits



Source: National Audit Office analysis of Audit Transformation Programme documentation

The biggest audit transformation in a generation



3

interactive, web-based visualisations supporting our published reports

Case study

'Go Live' training

We embraced the challenge of training more than 450 financial audit colleagues on changes described as “the biggest audit transformation in a generation”.

We ran a series of 2.5-day in-person team-based workshops designed to imitate the planning stage of an audit. Colleagues worked in collaborative ‘team zones’, using the new tools and guidance in a safe environment, with dedicated support and instant feedback. This modelled the behaviour change needed, promoting non-hierarchical and collaborative working.

Participants provided excellent feedback: “Really liked the format of structured exercises – encouraged discussion and debate – probably the best training course I’ve ever been on!”



7.6

out of 10 score
for our staff
saying that they
have the right
technology
and tools to
do their work
in this year's
people survey

Digital insights

We have continued to share digital insights with our guides on [Improving government data: A guide for senior leaders](#) and [Use of Agile in large-scale digital change programmes](#). These aim to support senior leaders in understanding the issues and complexity involved in these areas and to design their approaches accordingly.

Following our well-received report on [The challenges in implementing digital change](#), this year we have reported on [The Digital Strategy for Defence: a review of early implementation](#), [Modernising Defra's ageing digital services](#) and [Digital transformation in government: addressing the barriers to efficiency](#). These all evaluate progress in attempting to overcome the systemic barriers that have hampered government's past attempts at digital transformation.

Wider impact

Supporting government's push for digital public services

What we did

Current and future public services are dominated by digital change, and the public increasingly expects the government to make effective use of technology. However, our July 2021 report on [The challenges in implementing digital change](#) found that there has been a consistent pattern of underperformance in delivering digital business change across government departments. This often results from decisions on technology being taken too early, before the business problem is properly understood.

Our report highlighted the areas that government needs to get right at the early stage of projects, including a better understanding of the scale and complexity of the task of transforming services underpinned by legacy systems, and the importance of having the right skills, delivery methods and funding mechanisms in place at the outset.

Impact and outcome

Our report's recommendations were accepted and directly influenced the development of the government's roadmap for digital and data in government 2022–2025. This strategy contained six missions for change, which directly linked to our findings. These missions have commitment across government with support at permanent secretary and ministerial level and buy-in from business leaders and technology experts.

The MoD accepted this and finalised its Digital Strategy Delivery Plan in April 2023



Ministry of Defence

chrisdorney - stock.adobe.com

Wider impact

Improving the Ministry of Defence’s use of digital technology

What we did

The Ministry of Defence (MoD) has developed a Digital Strategy for Defence (the strategy), which describes how it intends to transform its use of technology and data, so that it can secure military advantage on future battlefields. In our report *The Digital Strategy for Defence: A review of early implementation*, we found the strategy has provided clear direction across the MoD and has support from the most senior defence officials, but the MoD did not have a complete picture of its progress against the strategy and so could not readily demonstrate whether it was on track to deliver it or not.

Impact and outcome

We recommended that the MoD should immediately create a clear delivery plan for the strategy, including identifying and prioritising all the activities needed to achieve the desired outcomes, and what people, skills and funding it will need to deliver these. The MoD accepted this and finalised its Digital Strategy Delivery Plan in April 2023.

We adopted a new connectivity architecture providing rapid log-in times, with users now able to start work in seconds and use their full network bandwidth, from wherever they are working

Data-led insights

We continued to make effective use of data analytics to support our value-for-money work in 2022-23. We used modern analytics approaches to help teams derive new insights from large complex datasets; automate otherwise onerous data collections; link disparate data sources to enable more meaningful analysis; and identify common patterns and themes within text.

As an example, we supported the recent *Investigation into the performance of HM Passport Office* by providing estimates of the number and age of active passport applications at different points in time. This work required novel analysis to reverse engineer estimates from outturn data and provided insights that were not directly available from the Home Office.

We also developed a range of new self-service tools to automate common value-for-money tasks, save time, and improve the quality of our reports. These include a new parliamentary analysis application, to help provide insight about MPs' current and emerging areas of interest, and a new tool to facilitate the creation of tailored data briefings for parliamentary select committees. We also continued to maintain and develop our existing analytics tools, for example further improving the tool that supports the linking of audit evidence to report text.

Digital workplace

In 2022-23, we refreshed our laptops, having maximised the useful lives of our previous range. We adopted a new connectivity architecture providing rapid log-in times, with users now able to start work in seconds and use their full network bandwidth, from wherever they are working. We also encourage our staff to access applications securely on their own devices, supporting them to work flexibly.

Knowledge

In 2022-23, we implemented a new version of the NAO intranet called 'Merlin', which includes:

- new navigation functionality to improve access to content;
- a new internal social media tool to improve our communication channels and allow users to ask questions and share knowledge in a simple and efficient way; and
- a new automated content management workflow to improve how we manage our content.

The new NAO intranet project received positive feedback in the staff survey including:

“Changes to Merlin are very effective”; “New Merlin is a big improvement”; “It’s much better with the new Merlin and SharePoint”.

As part of the development of knowledge best practice we will be focusing on improving how we manage our access to, collaborate and share, and easily find our key information and knowledge.



An exemplar organisation



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



Financial performance

We aim to be an exemplar organisation and demonstrate high standards of financial management. Our outturn against budget is set out in **Figure 11**. The results for the year demonstrate effective budget control with only small variances from budget arising across all categories of expenditure and income.

The NAO prepares its budgets in line with the Public Spending Framework and Parliament authorises separate resource, capital and cash budgets, which form totals within which the NAO must manage. The figures in bold in Figure 11 are the control limits, which were voted by Parliament.

Our capital budget included an in-year increase to lease and fit out replacement office space in Newcastle to replace our existing property lease, which will expire in August 2023. A newly built, modern and sustainable office became available and securing it required us to make a commitment earlier than we had planned.



744

tonnes of carbon emissions from electricity and gas, which met our target for 2022-23

Figure 11

National Audit Office (NAO) financial performance, 2022-23

Our expenditure was within budget, with only small variances arising

	Estimate	Outturn	Variance	Variance
	(£mn)	(£mn)	(£mn)	(%)
Total resource expenditure on audit and assurance work	109.8	109.7	-0.1	-0.1
Less: income	25.9	26.7	-0.8	-3.1
Net resource expenditure on audit and assurance work	83.9	83.0	-0.9	-1.1
Capital expenditure	8.6	8.4	-0.2	-2.3
Cash expenditure	86.5	85.3	-1.2	-1.4

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 NAO.
- 2 Figures have been rounded.

Source: National Audit Office analysis of financial data



1.1%

year-end
underspend on
our net resource
budget

Audit and assurance work

Our audit and assurance work consists of our financial audits, VFM examinations, responsive work, international work and direct support to Parliament. Our total expenditure was in line with budget, being £109.7 million against a budget of £109.8 million, a variance of £0.1 million (0.1%). It includes the following cost drivers:

- Around 70% of our expenditure is on staff salaries and staff-related costs. We spent £76.6 million on staffing during the year, which is £0.9 million less than our budget of £77.5 million. This variance arose because of a highly competitive recruitment market and we were unable to fill vacancies as quickly as we would have liked.

Our staffing costs consist of both permanent and temporary staff. While our permanent staff only totalled 909 against a planned headcount of 940, we addressed this shortfall by using temporary staff. Taking permanent staff, temporary staff and an inward secondment together, staffing numbers for the year were the equivalent of 934 full-time employees.

- Around 30% of our expenditure is on non-staff costs. This includes the use of partner firms to assist our audit work; the travel costs associated with audit; investment in audit technology and data security; the costs of running the London and Newcastle offices and business support operations; and the annual depreciation of our assets.

We spent £33.1 million on non-staff costs against a budget of £32.3 million, which is £0.8 million more than planned. A major driver of this has been the rising costs of using audit firms, who provide us with additional capacity to perform audit engagements and access to specialist expertise on complex audit areas. Inflationary pressures they face have translated into increases in the cost of audits they carry out on our behalf.

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, and from providing services to overseas bodies.

We earned £26.7 million against a budget of £25.9 million, a variance of £0.8 million (3.1%). The increase in fees is a result of an increase in work: the audit scope is dependent upon the audit risks we identify and what we need to do to address these. The implementation of an updated auditing standard relating to risk assessment, ISA 315, identified areas where we needed to perform more work 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 whether bought or developed in-house.

Our capital expenditure for the year was £8.4 million against a budget of £8.6 million, a variance of £0.2 million (2.3%). Small variances arose because of timing of deliveries from suppliers. However, all our major capital programmes were carried out in line with our plans.

Our budget this year also included a provision of £3.3 million for entering a new building lease in the Spark building in Newcastle, as well as costs to fit out and refurbish the space. This reflects the need to transfer locations by August 2023 when the lease on our current office expires. The Spark is a modern new office which promotes excellent environmental standards, with low-carbon energy sources, as well as the use of data and analytics to manage the building and minimise waste.

The move will consolidate the NAO's position as an attractive and competitive employer in the audit sector with established links to local universities, retaining skills and graduates in the region. The new office space is bigger and will allow the NAO to increase the proportion of its staff based in the North-East.

The Spark is a modern new office which promotes excellent environmental standards, with low-carbon energy sources, as well as the use of data and analytics to manage the building and minimise waste

Cash expenditures

We made net cash payments of £85.3 million against a budget of £86.5 million, a variance of £1.2 million (1.4%). Our variance to cash budget reflects the changes to resource and capital, but also the timing of payments and receipts of invoices at the year end, which can be difficult to anticipate.

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 due to the NAO and amounts payable to employees and suppliers. This Statement shows that the net assets of the NAO have remained broadly consistent year-on-year with an increase of £0.1 million from £91.7 million as at 31 March 2022 to £91.8 million as at 31 March 2023.

The major drivers of the net asset value are:

- changes in the value of our property, which includes our London building as well as office space in Newcastle, occupied under a 10-year lease. Our London property has been assessed by a professional valuer as worth £85 million, compared with £89 million in the prior year, leading to a reduction in net asset value of some £4 million. An environment of rising interest rates as well as elevated inflation has introduced uncertainty into the London property market and negatively affected valuations;
- our capital investment programme, which included the replacement of all laptops as well as continued development of new audit software. There were capital additions of around £5 million for computers and other equipment and for internally developed software; and
- other assets and liabilities, which comprise amounts due from audited bodies to whom we charge a fee, and amounts we owe to suppliers. Year-on-year changes reflect the timing of payments and receipts around the financial year-end.



Effective use of resources

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

A measure is the percentage of expenditure attributed to our audit 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 audit work. We achieved this aim with a percentage outturn for the year of 84%.

We also seek external assurance over aspects of our operations. Every year, the NAO Board commissions our external auditors to undertake a study on an area of our organisation to establish if we have used resources in line with value-for-money principles. In 2022-23, the auditors reported on the NAO's Human Resources function and assessed it is working effectively and that its activities are in line with those the auditors would expect from similar organisations.¹² The report also identified opportunities for improvement and made recommendations, which we agreed with.

Among other things, the report highlighted the need to invest more in retaining trainees post-qualification given the upfront training costs, and we are increasing our engagement with our more junior employees to help them better understand the opportunities for them to continue their career at the NAO

Resources for future years

TPAC approved our budget for the year ending 31 March 2024. This included a net resource requirement of £91.1 million, after allowing for £27 million of income. It also allows for a £3.7 million capital budget and a £91.2 million net cash requirement. The budgets were set to ensure that the NAO can meet the following strategic challenges:

- The bodies we audit still face significant headwinds recovering from the COVID-19 pandemic in meeting the financial reporting timetables expected by HM Treasury. We are supporting them so that we can complete as many audits as possible prior to the summer parliamentary recess.
- Updated standards for risk assessment and planning of audit work require transformational change in our methodology and approach, and, in line with the rest of the audit profession, we need to invest more time at the outset of each audit as a result. We will continue our multi-year investment in how we deploy audit technology and data analytics, and in the development of our new audit software.
- Continuing to meet the rising costs of professional services across the audit profession, where the need to retain qualified audit staff and specialist expertise is rising. This reflects pay increases within the audit firms we use, as well as increases to our own pay levels to maintain our competitiveness as an attractive employer.

12 Crowe Clark Whitehall, [National Audit Office, Value for Money Study HR Processes](#), HC 645, December 2015.

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

Figure 12

National Audit Office (NAO) resources from 2018-19 to 2025-26

The NAO's resources increased in 2022-23 to accommodate a new office lease in Newcastle and fit-out of the space

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Audit and assurance work	86.7	91.3	98.5	103.6	109.7	118.1	119.3	122.2
Less: income	21.0	23.0	24.6	25.4	26.7	27.0	25.9	26.9
Net resource expenditure	65.7	68.3	73.9	78.2	83.0	91.1	93.4	95.3
Capital expenditure	1.3	1.0	1.1	1.9	8.4	3.7	3.7	2.0

Source: National Audit Office analysis of financial data

The growth in our resource plans in recent years reflects additional responsibilities, such as new audit engagements, work on the UK's departure from the EU and oversight of the government's response to the COVID-19 pandemic. It also includes £4 million annual investment agreed as part of our current Strategy, covering audit transformation, greater expertise in VFM and improvement in our knowledge management processes.

Our forward resource plans also include our intention to look at the most significant risks to value for money in public spending. These include the government's energy support schemes; inflation impacts in major infrastructure programmes; backlogs and reducing waiting times in front-line services; and workforce challenges. Our work will address the efficiency and resilience challenges facing government. Our plans also include provision for the ongoing investment in our audit methodology and technology to keep pace with developments in auditing standards and regulation.

Our capital expenditure increased in 2022-23 compared to historical levels and will remain higher in 2023-24. This allowed us to enter into a new office lease in 2022-23, and we will complete the fit-out of the space in 2023-24. It also allows for enhancements to our London meeting rooms and working space, to provide an inviting modern office space appropriate for flexible and collaborative ways of working. Capital spend also comprises the development and completion of our new audit software, a capital asset which will lead to long-lasting improvements (Figure 12).

Gareth Davies
Comptroller and Auditor General

19 June 2023



84%

of our
expenditure was
on audit work

Our environmental impact

Our performance against the Greening Government Commitments in 2022-23

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. Our progress for 2022-23 is shown below. We are pleased to report that our carbon emissions from electricity and gas were 744 tonnes, meeting our target for 2022-23. Our full sustainability data are included in the annex to this report.

01

Mitigating climate change: working towards net zero by 2050.

Reduce the overall greenhouse gas emissions from a 2017 to 2018 baseline and also reduce direct greenhouse gas emissions from estate and operations from a 2017 to 2018 baseline.

Progress in 2022-23:

In progress – Scope 1 and 2 greenhouse gas emissions (from the NAO's estate) have reduced by 50% and a new policy on energy consumption has been implemented.

Scope 3 greenhouse gas emissions (from operations) have been identified and data collection is being completed.

01a

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 2022-23:

Not applicable – we do not have a fleet.

01b

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 2022-23:

Achieved – 77% reduction; 401,817 miles (646,662 kilometres) travelled in international business flights and 27,045 miles (43,525 kilometres) in domestic flights. A 68% decrease since 2017-18.

01c

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

Progress in 2022-23:

Achieved – the travel policy was reviewed to support this aim.

01d

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

Progress in 2022-23:

Not applicable – we do not compensate for carbon emissions.

02

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

Progress in 2022-23:

Achieved 30% reduction.

02a

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

Progress in 2022-23:

Achieved – 0% to landfill.

02b

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

Progress in 2022-23:

Achieved – 81% recycled.

02c

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

Progress in 2022-23:

In progress – a new waste policy has been introduced which includes reducing single use plastic.

02d

Measure and report on food waste by 2022.

Progress in 2022-23:

Achieved – 17.65 tonnes of food waste. A 54% decrease since 2017-18.

02e

Reduce paper use by at least 50%.

Progress in 2022-23:

Achieved – 82% reduction.

02f

Report on the introduction and implementation of waste reuse schemes.

Progress in 2022-23:

Achieved – 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.

03

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

Progress in 2022-23:

Achieved – 58% reduction.

03a

Ensure all water consumption is measured.

Progress in 2022-23:

Achieved.

03b

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

Progress in 2022-23:

Achieved – a new water policy has been introduced. We have a number of water-saving initiatives including leak detection systems, dual flushing buttons and rainwater harvesting utilised in lavatories and urinals.

04

Procuring sustainable products and services

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.

Progress in 2022-23:

In progress – 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 including conformance with Government Buying Standards. 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 Find a Tender Service (FTS) where all our suppliers are tested to ensure they adhere to current sustainable procurement legislation in line with guidance from the Cabinet Office.

05

Nature recovery – making space for thriving plants and wildlife

Achieved – organisations with the greatest potential to improve biodiversity should develop and deliver Nature Recovery Plans for their land, estates, development and operations. All other organisations should consider what they can do to support the government's commitment to improve nature and develop and deliver Nature Recovery Plans for their organisations, where suitable.

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.

06

Adapting to climate change

Develop an organisational Climate Change Adaptation Strategy across estates and operations.

Progress in 2022-23:

In progress – we have completed a Climate Change Risk Register, which has been reviewed, and adopted the appropriate mitigations.

06a

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 2022-23:

Achieved – the Net Zero Carbon Project reports to the Executive Team, the Board and the Audit Risk Assurance Committee on climate change adaptation.

06b

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

Progress in 2022-23:

In progress – a new Climate Change Aspect Assessment will be used to monitor changes to risks for the NAO and the required adaptation strategies to mitigate their impact.

07

Reducing environmental impacts from ICT and digital

Report on the adoption of the Greening Government Commitments: ICT and Digital Services Strategy and associated targets and ensure they provide membership to the Sustainable Technology Advice and Reporting team, who manage and deliver the Greening Government Commitments ICT reporting.

Progress in 2022-23:

In progress – we have put together a project plan to meet this target, which is currently under review. We are now members of the STAR (Sustainable Technology Advice and Reporting team) who manage and deliver the Greening Government Commitments ICT reporting.

Carbon reduction

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.



What we have done



Progress in 2022-23:

In the past year, we have:

- focused upon developing our Carbon Reduction Action Plan;
- amended our travel policy;
- created a new waste policy which addresses the removal of single-use plastic and completed a waste roadshow to educate colleagues and tenants;
- created a new energy policy which addresses reducing energy carbon from our estate;
- created a new water policy to reduce our consumption;
- identified a new sustainable office for our Newcastle operations for when our current lease ends in 2023;
- joined the government's Sustainable Technology Advice & Reporting team;
- amended our procurement policy and completed a review of our supply chain carbon footprint; and
- investigated carbon off-setting options and their efficacy.

What we will do next



2023-24

In 2023-24 we will focus upon:

- completing a feasibility study for the installation of heat pumps at our London headquarters;
- supporting our contract managers to drive carbon reductions from within our supply chain;
- implementing carbon information and reduction requirements into our suppliers' service level agreements;
- using data from our business travel to complete travel carbon information for audit teams;
- improving our carbon data collection and measurements;
- completing a waste survey and review of supplier packaging; and
- supporting and influencing clients and other bodies who are on their own carbon reduction journeys.

When compared with the National Grid the Centre produces fewer carbon emissions



Case study

The new Newcastle office

The NAO's Newcastle office lease ends in 2023 and we have used this opportunity to source a new office with better sustainability credentials. Embedding sustainability into our decision-making procedures, we assessed available offices by size, location, cost and sustainability.

One of the key criteria underpinning our choice of the Spark on the Newcastle Helix Development was its environmental performance. The Spark has an Energy Performance Rating (EPC) of A and meets the 'Excellent' rating from the Building Research Establishment Environmental Assessment Method.

An exceptionally efficient District Energy Centre powers the Spark and when compared with the National Grid the Centre produces fewer carbon emissions. As renewable technologies become more widely available the Spark can easily adapt to the future requirements.

In addition to offering data management tools and digital metering for cost control, carbon footprint reduction, and infrastructure longevity, the building is designed to prioritise waste monitoring. It also features amenities such as secure bike storage, changing rooms, showers, lockers, and electrical bicycles charging points.

2_

Accountability report

Four principles
underpin our
governance:

respect
focus support
expertise

Corporate governance report

Directors' report

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



This section explains the governance structures at the NAO and how they support the achievement of our objectives.

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 2022-23.

Auditor of the NAO

The Public Accounts Commission (TPAC) appointed Crowe U.K. LLP as our external auditor. In addition to the audit of our annual accounts, Crowe U.K. LLP undertakes a value-for-money (VFM) examination 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 62. Additional information is included in the remuneration and staff report, which begins on page 120. Future developments affecting our business are disclosed in the performance report under 'Financial performance', which starts on page 81.



Gareth Davies

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 (C&AG), adopted the Government Financial Reporting Manual (FRoM) 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 FRoM, 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 TPAC.

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. Schedule 2, paragraph 24(1) of the Act requires the NAO to prepare resource accounts.

The NAO Board and Executive Team



- 1 Dame Fiona Reynolds
- 2 Gareth Davies
- 3 Gaenor Bagley
- 4 Sir Martin Donnelly
- 5 Alistair Conner
- 6 Dame Clare Tickell
- 7 Janet Eilbeck

- 8 Abdool Kara
- 9 Daniel Lambauer
- 10 Elaine Lewis
- 11 Kate Mathers
- 12 Rebecca Sheeran
- 13 Max Tse

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

Gareth Davies was appointed C&AG in June 2019. Before his appointment as C&AG, he 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 Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

3 Gaenor Bagley

Non-executive director | Chair, Audit and Risk Assurance Committee | NAO Board | Audit Quality Board

Appointed: 1 January 2021

Gaenor combines a chartered accountancy qualification with extensive and innovative human resources (HR) experience within a professional services environment and very strong understanding of audit and finance, merger and acquisition 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 the 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 | Audit and Risk Assurance Committee | Remuneration and Nominations Committee

Appointed: 1 January 2021

Sir Martin has experience across a range of government departments and public bodies. He was a Permanent Secretary from 2010 to 2017, leading the Department for Business Innovation & 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 was president of Boeing Europe until October 2022.

5 Alistair Conner

Non-executive director | NAO Board | Audit and Risk Assurance Committee | Remuneration and Nominations Committee

Appointed: 1 February 2023

Alistair has an extensive career history both in the Royal Air Force and the financial services sector, including 13 years at UBS where he became the UK Chief Operating Officer in 2014 and was promoted to Managing Director in 2015. Following UBS he joined Credit Suisse, where he was a PRA-regulated Senior Manager, UK Chief Operating Officer and an Executive Director on the Board of CS UK (Ltd). From April to July 2021, he advised the Bank of Ireland as lead strategic wealth management consultant during their acquisition of Davy, Ireland's largest wealth manager.

Alistair holds a degree in Mathematics and Theoretical Physics from the University of St Andrews and a Diploma in Company Direction from the Institute of Directors. A keen traveller and mountaineer (preferably combining both), he has been a Fellow of the Royal Geographical Society since 2003.

6 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 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 Janet Eilbeck

Former non-executive director | NAO Board | Chair, Audit Quality Board

Appointed: 20 October 2016, reappointed for final three-year term in October 2019 until October 2022

Janet Eilbeck was a non-executive member of the NAO Board from October 2016 to October 2022. She was appointed by the C&AG to chair the Audit Quality Board (AQB) when it was first set up in 2021. Following her retirement from the Board, the C&AG has re-appointed Janet as Chair of AQB, as an independent member.

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 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. She is currently Vice Chair of the Association and Chair of its Audit and Risk Committee and Remuneration and Appointments Committee.

8 Abdool Kara

Executive director | Executive Team

Abdool is responsible for the NAO's work with government 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 (D&I). Before joining the NAO in 2017, he had been Chief Executive of Swale Borough Council since 2009.

9 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.

10 Elaine Lewis

Executive director | Executive Team

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

11 Kate Mathers

Executive director | NAO Board | Executive Team

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

12 Rebecca Sheeran

Executive director | Executive Team

Rebecca is responsible for the NAO's work with government 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 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.

13 Max Tse

Executive director | NAO Board | 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 insights. 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.

The NAO's governance

The Budget Responsibility and National Audit Act 2011 established the NAO as a legal entity with a statutory Board to support the C&AG's statutory functions. 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.

Figure 13 on pages 100 and 101 gives an overview of the NAO's overall governance framework, which is intended to facilitate transparency and effective decision-making with due oversight while maintaining our independence.

The Public Accounts Commission

The NAO is accountable to Parliament through the TPAC. TPAC is responsible for:

- setting the NAO's budget;
- scrutinising performance;
- appointing the non-executive Board members (with the exception of the Chair); and
- appointing the external auditor of the NAO.

TPAC normally holds two to three public sessions in Parliament per year to hold us to account. This year TPAC held an additional session to appoint Alistair Conner as a non-executive member from 1 February 2023.

The NAO Board

The Board supports and advises the C&AG in meeting his statutory responsibilities, and oversees how we manage and use resources. The Board is supported by the Audit and Risk Assurance Committee and the Remuneration and Nominations Committee to which it has delegated specific responsibilities. The AQB advises the C&AG on the effectiveness of controls to support audit quality.

Our overall corporate governance approach is informed by best practice and we align our Board practice to the Code of Good Governance Practice in Central Government Departments. In 2020 we carried out a review of our Board practice compared with the Code of Good Governance Practice.¹³ We found that we were aligned with all the principles and supporting provisions where they were relevant to the NAO. We identified some areas for improvement which we actioned as part of the 2021-22 external evaluation of the Board and the more recent internal review of the Board. We will perform further Board evaluations in response to any future updates of the Code.

We ensure that information is circulated in good time before Board and committee meetings and that papers are presented clearly and with the appropriate level of detail to assist the Board and its committees in discharging their duties. The Board agendas and minutes are published on our external website: [NAO Board agendas and minutes](#).

Further details on the role and activities of the Board including its two sub-committees are provided below. We also provide information about the AQB which is advisory to the C&AG.

Composition of the Board

The Board has five non-executive and four executive members including the C&AG, who is a permanent member of the Board. The Chair of the Board, Dame Fiona Reynolds, was appointed by HM The Queen on 10 January 2021, following confirmation by Parliament. TPAC appoints the other four non-executive members. Appointments to the Board are made considering merit, diversity, openness, fairness and integrity. The term of appointment for the non-executives is three years, renewable for a further three years subject to satisfactory performance.

Dame Clare Tickell is the NAO's Senior Independent Director. In this capacity she performs the annual evaluation of the performance of the Chair.

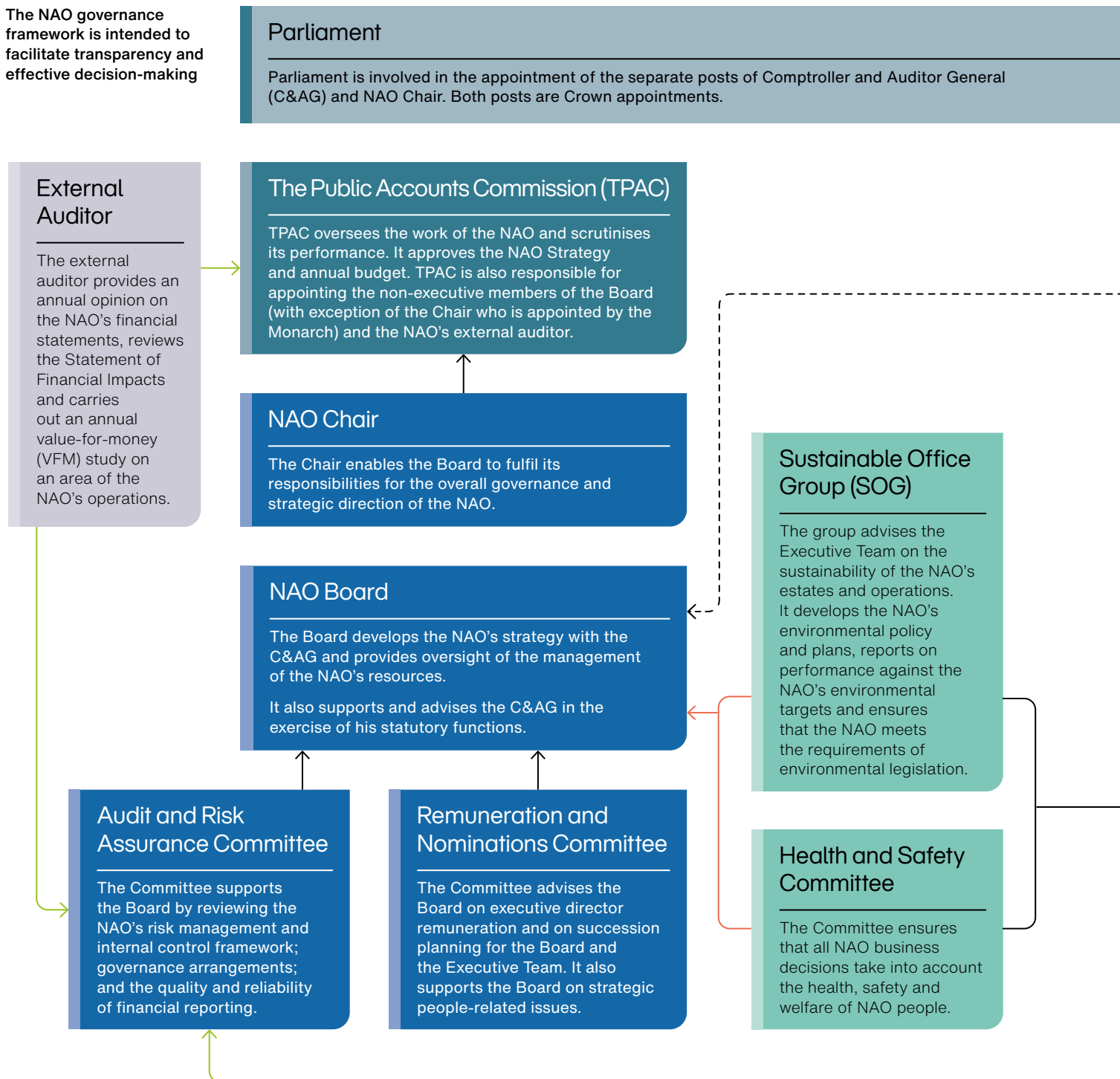
The executive members of the Board in 2022-23 were Daniel Lambauer, Kate Mathers and Max Tse. Their appointment is approved by the non-executives on the recommendation of the C&AG.

13 Certain principles of the 2017 Code of Good Governance Practice in Central Government Departments are not relevant to the NAO in view of the Budget Responsibility and National Audit Act, 2011 requirements placed on the NAO.

Figure 13

The National Audit Office (NAO) governance framework

The NAO governance framework is intended to facilitate transparency and effective decision-making



Note
1 Graphic also shows the two Board committees and two sub-committees that support the Executive Team. The Audit Quality Board is advisory to the C&AG.

Source: National Audit Office analysis of governance documentation



Comptroller and Auditor General

The C&AG is the head of the NAO. He is an Officer of the House of Commons and independent of government. He certifies the accounts of all government departments and many other public bodies. The C&AG has the statutory authority to report to Parliament on whether government departments and the bodies they fund have used their resources efficiently and effectively. The C&AG is also responsible for maintaining and publishing the Code of Audit Practice, which is approved by Parliament. The Code sets out what the auditors of local government and health bodies are required to do to fulfil their statutory responsibilities.

The C&AG is also the Accounting Officer of the NAO, appointed to this position by TPAC.

Internal Audit

The internal auditor provides an independent assurance and advisory function to the C&AG, in his capacity as Accounting Officer.

Executive Team

The Executive Team comprises the C&AG and six executive directors. The Executive Team supports the C&AG in the exercise of his statutory duties.

The Executive Team has collective responsibility for the delivery of the NAO strategy and operational business priorities.

Audit Quality Board (AQB)

The AQB advises the C&AG on the effectiveness of the controls that support financial audit and value-for-money (VFM) quality.

Key

- Parliament
- Parliamentary oversight
- Parliament's independent statutory auditor
- Independent assurance
- Executive management
- Statutory governance
- Advisory
- Reporting
- Accountability
- Code of practice
- Assurance
- Information



Dame
Fiona Reynolds

The Board

Overview by Dame Fiona Reynolds

The Board's role is to provide constructive challenge and support to the C&AG and his Executive Team, and to oversee how the NAO manages and uses resources. Our engagement with the senior team shapes our strategic thinking and sets the tone from the top.

As my Chair's statement on page 9 sets out, the Board's focus is our strategy. We have kept our priorities under review in the context of the exceptional political and economic turbulence we have seen over the last year, and we have concluded that our strategic objectives are serving us well. With the appointment to the Board of Alistair Conner, who brings a wealth of experience in digital and business transformation, we are also confident that we have the right balance of skills and experience to lead the delivery of the NAO's Strategy. During the year I have held highly informative informal discussions with external stakeholders to gain their perspectives on progress against our Strategy; and I have also explored the alignment of our Strategy with our culture by engaging with groups of NAO staff.

Following the positive external evaluation of the Board in 2021-22, this year I conducted an internal review of the Board's performance. Overall the feedback was that the Board feels more coherent, and has a good set of complementary skills. The Board is focusing on the right strategic issues at the right time, and there have been some good examples of the non-executives constructively challenging proposals from management.

Following last year's evaluation we agreed five actions for improvement, which this year we reviewed to assess our progress. We have made good progress in three areas: ensuring conscious, constructive challenge; making best use of Board time by freeing up time for more strategic discussions; and improving effective staff engagement. We have not yet improved the diversity of the Board, and we need to free up more time for the non-executives as a group to engage with the C&AG. We will address these issues next year. In addition we will spend more time on operational issues where we can add value, for example scrutinising areas in our performance framework where performance is slipping.

The Board met nine times during the year. This included a whole-day strategy session and two additional Board meetings. The first of these was to approve a supplementary Estimate to cover the costs of the move to our new office in Newcastle, and the second to approve a new pay framework and grading structure for audit staff. The Board is regularly updated on the activities of our sub-committees, whose work is described below. **Figure 14** on page 104 gives an overview of the work of the Board during the year and **Figure 17** on page 112 gives attendance data on Board and committee meetings.

I summarise below some of the significant decisions we have taken, over and above our business-as-usual decision-making.

Key decisions by the Board during the year:

- We approved a 4% pay award for 2023-24. In addition, we approved a 1% interim award to all staff below manager grade from October 2022 in response to the increases in the cost of living. We also approved the new pay framework and grading structure for audit staff.
- We approved the business case for creating a new Financial Instruments Framework to improve our work in this area, which is a key priority in response to findings from the Financial Reporting Council (FRC).
- We agreed that the NAO's external auditor should investigate the financial management of the NAO's financial audit work as part of the annual VFM review that they carry out on an area of NAO operations.
- We updated our internal Whistleblowing Policy to reflect the lessons learned from the application of the policy in 2022.

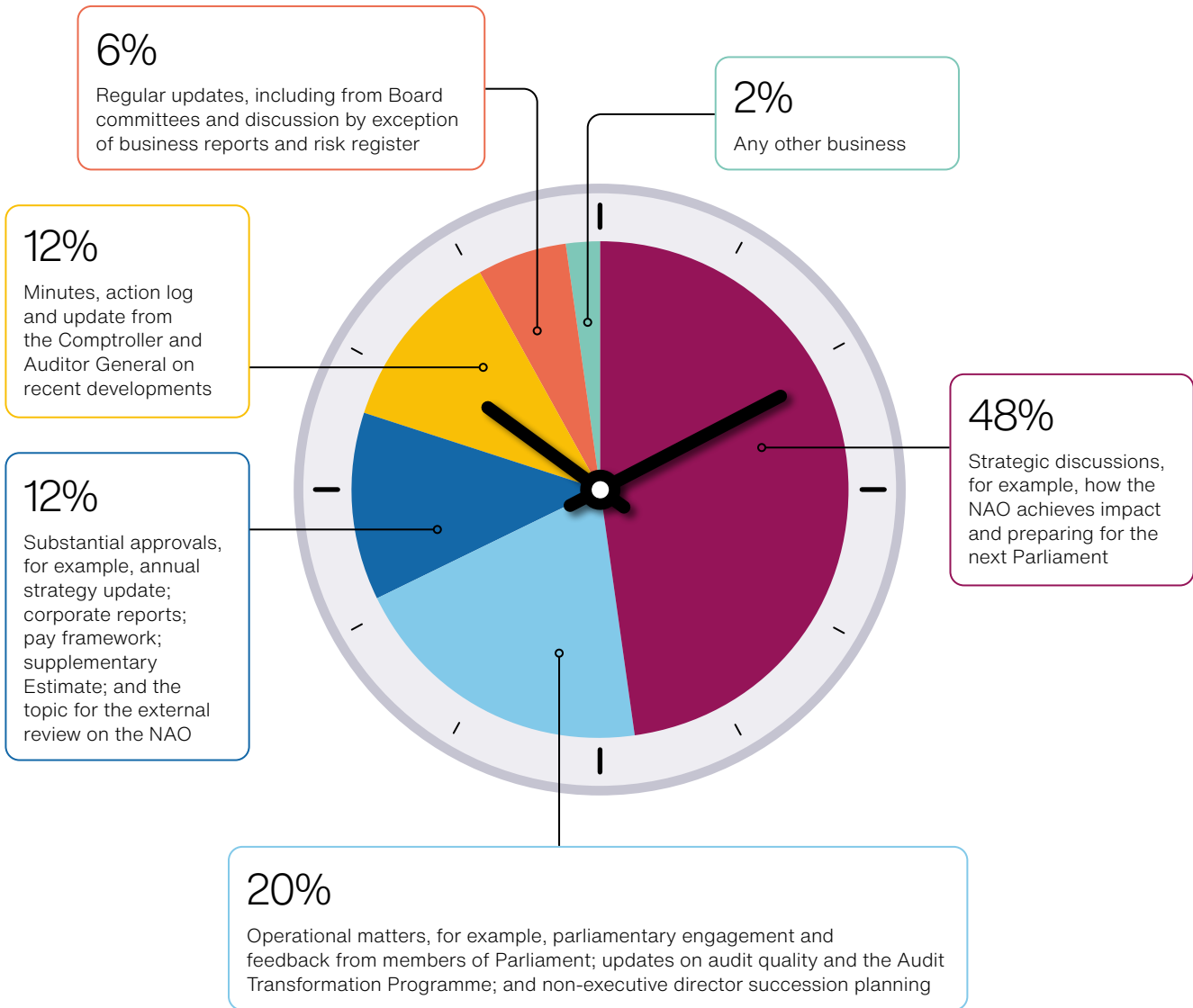
Priorities for the year ahead

Next year marks the fourth year of our five-year Strategy. We are already preparing for its next iteration and this year held a series of wide-ranging strategic discussions which will shape our thinking for the future and our strategy from 2025 and beyond. Sadly, Clare Tickell's six-year non-renewable term of office on the Board will end in January 2024. In preparation for this we are preparing for the search and selection of a new non-executive member, who we will present to TPAC for their appointment. I will also continue my programme of engagement with NAO people and external stakeholders.

Figure 14

The National Audit Office (NAO) Board’s allocation of time, 2022-23

The NAO Board spent most of its time on strategic discussions, operational matters and substantial approvals



Notes

- 1 Any other business refers to items not listed on the agenda, raised after the items on the agenda have been discussed and can include a wide range of subject matters.
- 2 The Board met for approximately 22 hours in 2022-23.

Source: National Audit Office analysis of the NAO Board’s meeting agendas

Audit and Risk Assurance Committee

Overview by Gaenor Bagley

The Audit and Risk Assurance Committee (ARAC) provides independent assurance to the Board that its financial and non-financial controls, and risk management procedures, are operating effectively. ARAC is also responsible for advising the Board, and TPAC, on the appointment and remuneration of the NAO's external auditor. We also monitor the implementation of recommendations from internal and external audit.

2022-23 marks my first full year as Chair of the Committee. The ARAC is composed solely of non-executive members in addition to an independent external member. I was pleased to welcome Sir Martin Donnelly and Alistair Conner as new non-executive members of the ARAC following Janet Eilbeck's retirement from the Board. She was an excellent Chair of the ARAC during her tenure.

The ARAC met four times during the year. **Figure 15** on page 108 gives an overview of our work. The sections below provide more information on significant areas of our work during the year, in addition to our business-as-usual activities.

Significant areas of work:

- External audit contract: we have started the early planning for the tender of the external audit contract given that the current contract ends with the audit of the 2023-24 financial statements.
- External review of the internal audit function: we commissioned the five-yearly external quality assessment of the NAO's internal audit function and were pleased to receive assurance that the function received the highest rating available under the grading definitions of the Public Sector Internal Audit Standards.
- Risk management: at each of our meetings we discussed key/emerging risks covering audit quality, delivery of financial audits, new ways of working, people engagement, sickness absence, wellbeing and mental health, management of contracted-out audits, and the financial impacts target. We sought assurance from management on the effectiveness of the mitigations to bring risks down to target.
- Audit recommendations: we now receive the internal audit recommendations tracker at each of our meetings and have heightened our focus on the resolution of recommendations.
- Committee effectiveness: we initiated the first phase of the ARAC's internal performance review based on the NAO's effectiveness guide for ARACs: [Audit and Risk Assurance Committee effectiveness tool](https://nao.org.uk) (nao.org.uk). Given the small size of the Committee we agreed to consider 'ARAC scope' and 'ARAC roles and responsibilities' this year. We were pleased with the overall finding that the ARAC is performing well overall and that it is meeting or exceeding all the requirements in the guidance. We will take forward a few areas of continuous improvement next year and complete the second phase of the ARAC's review.



Gaenor Bagley

Continued →

Business-as-usual activities:

- Internal Audit programme of work: we considered 19 reviews during the year and received assurance from management on the actions that they are taking to implement the areas for improvement identified in these reviews.
- Annual external VFM review on an area of the NAO’s operations: the topic for the external review in 2022 was on the HR function. We were pleased with the positive assurance that the ongoing investment in the HR department represents value for money.
- Climate change risks: we reviewed the NAO’s management of climate change risk based on our own guidance to ARAC on this topic: [Good practice guide – Climate change risk: a good practice guide for Audit and Risk Assurance Committees](https://nao.org.uk/guidance/good-practice-guide-climate-change-risk) (nao.org.uk). We were pleased to note that the new Newcastle office is well placed to be carbon neutral by the 2029 target date. We are aware that potential challenges remain around the heating system for our London headquarters due to the age of the building, and the at present-untested viability and effectiveness of heat pumps. The Board is aware that the cost of transition to modern heat pumps represents a significant investment, which we will consider in future.
- Internal Whistleblowing Policy: we advised the Board on the framing document for the cyclical review of the policy, which includes an expanded assurance role for the ARAC.

Key priorities for the year ahead

Our key priority for the year ahead is to ensure the smooth completion of the tender process for the external audit contract in advance of approval of the appointment of the NAO’s external auditor by TPAC.



Dame
Clare Tickell

Remuneration and Nominations Committee

Overview by Dame Clare Tickell

The Remuneration and Nominations Committee (RemCo) advises the Board on executive director remuneration and on succession planning for the Board and the Executive Team. We also support the Board on strategic people-related issues.

I have pleasure in presenting RemCo’s key activities during the year. RemCo is composed solely of non-executive members in addition to the C&AG who is a permanent attendee. I was delighted to welcome Alistair Conner as the new member of RemCo following his appointment to the Board. I have chaired RemCo since March 2018. This is my last report as I will step down from the Board in January 2024 having completed my six-year term. The recruitment for the upcoming vacancy on the Board will take place in the autumn.

RemCo met three times during the year. **Figure 16** on page 109 gives an overview of our work. The highlight of the RemCo's work has been to advise, challenge and support executive management in the development of a new pay framework for audit staff. RemCo's focus throughout has been to ensure that the new pay framework will support our ability to operate effectively in a highly competitive environment and offer our people career and pay progression opportunities which compare positively with our competitors. We also advised management that pay, while important, should be considered alongside other factors such as our unique selling point as an organisation, the attraction of being part of the modernisation of our financial audit practice through the implementation of the Audit Transformation Programme, and our approach to new ways of working following the end of the COVID-19 pandemic. We have provided initial advice on the next stage of the pay review, which will look at our corporate services.

During the year we also considered the framework to support the career development of directors and managers and we were impressed by the bespoke development options, personal and career coaching opportunities, and external career transition support. We advised the C&AG on the creation of the Chief People Officer role, and I was pleased to be a member of the selection panel for this important role.

Other areas of our work during the year:

- Office wide pay award: We advised the Board on the 2023-24 pay award informed by the trends in the external market place including data on attrition and recruitment within the NAO. We also advised the Board on the 1% interim pay award to all staff below manager grade from October 2022 in response to the increases in the cost of living.
- Executive pay award: We agreed the C&AG's recommended pay award for each of the executive directors informed by his appraisal of their performance in 2022. We also advised the C&AG on the personal development plans for the executive directors in 2023.
- Non-executive vacancy on the Board: RemCo has advised the Chair on the approach for the selection of the next non-executive member of the Board.
- Wider people related matters: We received regular updates on the results of the people survey and reviewed the actions proposed by management to address people related issues. RemCo also spent time considering how the NAO can position itself as a forward thinking and exciting place to work for new graduates in what is a very hot recruitment market.
- RemCo's performance: The Chair's internal review of the Board included feed-back on RemCo's performance. We were pleased to note the positive feed-back that RemCo is working well.

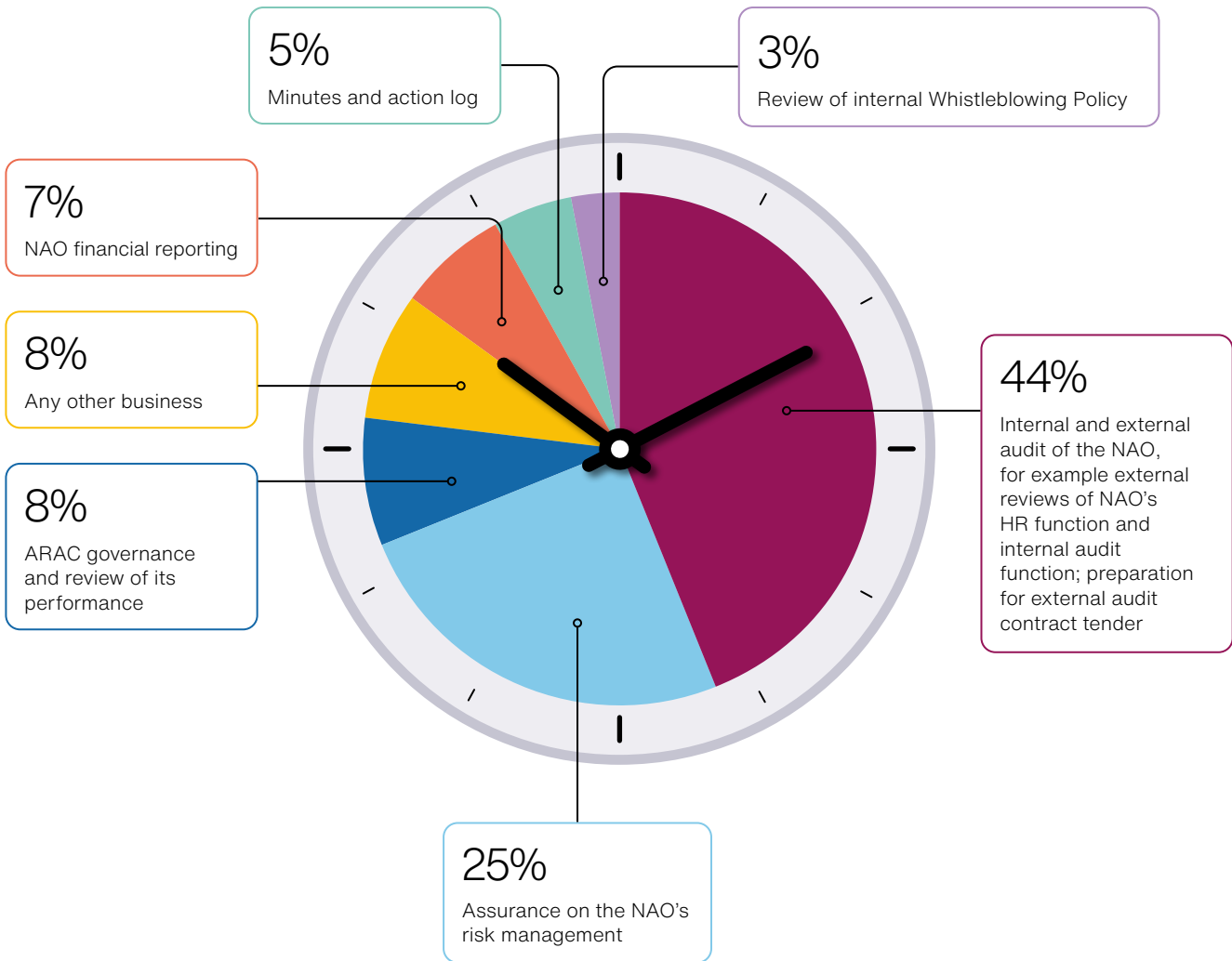
Key priorities for the year ahead

We look forward to advising management as it further develops and enhances a comprehensive employee value proposition.

Figure 15

The National Audit Office (NAO) Audit and Risk Assurance Committee's (ARAC's) allocation of time, 2022-23

ARAC spent most of its time on internal and external audit, assurance on the NAO's risk management, and ARAC's governance and review of its performance



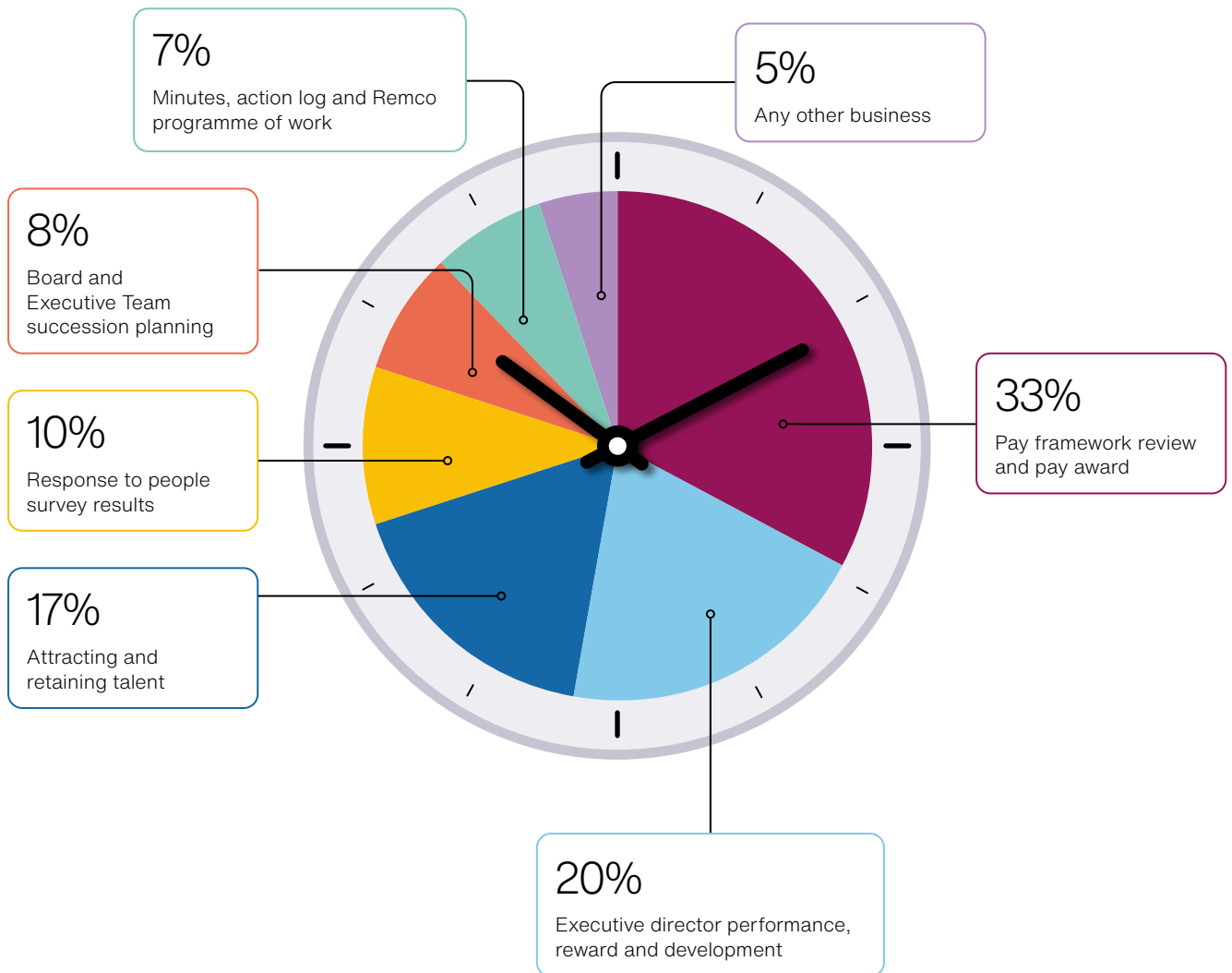
- Notes**
- 1 Any other business refers to items not listed on the agenda, raised after the items on the agenda have been discussed and can include a wide range of subject matters.
 - 2 The ARAC met for approximately 10 hours in 2022-23.

Source: National Audit Office analysis of the Audit and Risk Assurance Committee's meeting agendas

Figure 16

The National Audit Office (NAO) Remuneration and Nominations Committee's (RemCo's) allocation of time, 2022-23

RemCo spent most of its time on the pay framework review and pay award, executive director performance, reward and development, and attracting and retaining talent



Notes

- 1 Any other business refers to items not listed on the agenda, raised after the items on the agenda have been discussed and can include a wide range of subject matters.
- 2 RemCo met for approximately 5 hours during 2022-23.

Source: National Audit Office analysis of the Remuneration and Nominations Committee's meeting agendas



Janet Eilbeck

Audit Quality Board

Overview by Janet Eilbeck

The 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 the AQB and work alongside Gaenor Bagley and the C&AG. The AQB is supported in its work through the attendance of appropriate NAO colleagues, particularly the executive directors responsible for financial audit and value-for-money service lines, and financial audit quality.

In 2022-23, we met four times and continue to support the C&AG as we take forward the quality challenges facing the NAO. As well as our programme of work considering the risks to audit quality and the effectiveness of our response, we also:

- challenged the description of our System of Quality Management and progress in the development of our detailed assessment of financial audit quality risks;
- promoted the importance of an effective basket of audit quality indicators and its use as part of our System of Quality Management;
- discussed the progress with the Audit Transformation Programme, the implementation of its first phase during 2022, and the effectiveness of our training and development programme;
- attended a financial audit Director Masterclass on performance engagement in light of findings from our root cause analysis work; and
- reviewed the effectiveness of our VFM quality assessments.

The NAO continues to deliver a high-quality programme of outputs across the wide-ranging and complex landscape of government activity. I am pleased that the AQB has made a positive contribution to improving the NAO's quality risk analysis as it takes forward its important work.

More detail on the work of the AQB is provided in our Transparency Report.

Executive Team

Overview by Gareth Davies

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 on pages 18 to 19 for more detail.

Throughout 2022-23, we met at a variety of 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 also 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 2022-23, 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 review of the pay framework for our staff in audit grades. We held a number of discussions to come to a comprehensive and costed package of proposals which provide a competitive reward offer that demonstrates both our commitment to investing in our people and ensures we are better placed to compete in the wider market. These discussions reflected on the aims and scope of the review, the feedback we had received from colleagues, latest turnover information, market intelligence from our own recruitment campaigns and the latest external pay benchmark data.



Gareth Davies

Figure 17

Attendance at the National Audit Office (NAO) Board and committees, 2022-23

Members of NAO Board, Audit and Risk Assurance Committee and Remuneration and Nominations Committee attended most, if not all, of the meetings

Members	NAO Board		Audit and Risk Assurance Committee		Remuneration and Nominations Committee	
	Member	Attendee	Member	Attendee	Member	Attendee
Total number of meetings in 2022-23	9 ¹		4		3	
Non-executive						
Dame Fiona Reynolds	9/9	-	-	-	-	1/1
Gaenor Bagley	9/9	-	4/4	-	-	-
Sir Martin Donnelly	8/9	-	2/2 ⁴	-	2/3 ⁶	-
Janet Eilbeck ²	5/5	-	2/2	-	-	-
Dame Clare Tickell	7/9	-	-	-	3/3	-
Alistair Conner ³	1/1	1/1	1/1	-	1/1	-
Executive						
Gareth Davies (C&AG)	9/9	-	-	3/4	-	3/3
Daniel Lambauer	9/9	-	-	4/4	-	-
Kate Mathers	9/9	-	-	3/4	-	-
Max Tse	9/9	-	-	-	-	-
Elaine Lewis	-	9/9	-	1/1 ⁵	-	-
Abdool Kara	-	8/9	-	-	-	-
Rebecca Sheeran	-	9/9	-	-	-	-

Notes

- 1 Includes two short additional meetings and the Board strategy day.
- 2 Janet Eilbeck completed her term in October 2022.
- 3 Alistair Conner commenced his term in February 2023. He observed the January 2023 Board meeting.
- 4 Sir Martin Donnelly joined the Audit and Risk Assurance Committee in December 2022.
- 5 Elaine Lewis substituted for Kate Mathers for one Audit and Risk Assurance Committee meeting.
- 6 Sir Martin Donnelly provided comments in advance for one meeting where he was unable to attend.

Source: National Audit Office analysis of meeting attendance records

Risk management and control

Our risk management framework is aligned to HM Treasury’s Orange Book’s best practice principles.¹⁴ Our approach helps us to identify, evaluate, respond, report and monitor the NAO’s risks (**Figure 18** overleaf) within a live corporate risk register document. The Executive Team receives monthly risk reporting to inform its consideration and assessment of risks; the Audit Risk and Assurance Committee receives the risk register and discusses emerging and key risks at each meeting; and the Board receives a summary of the risks at each meeting and discusses emerging and key risks twice a year.

Principal risks by area

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

We give our risks a current rating, after mitigations, based on a five-point scale of probability and impact. **Figure 19** on page 115 shows the probability and impact ratings for our risks and the movement during 2022-23. We also assign each risk a target and critical threshold rating to denote the risk level we are aiming to achieve for that risk and the level we are not prepared to exceed respectively. This allows us to determine whether each risk is satisfactory (at or below target), of concern (above target but within critical threshold) or of immediate concern (above critical threshold). The majority of our risks are satisfactory and there are no risks in the immediate concern category (**Figure 20** on page 116). We take mitigating actions to reduce our risks and align them with our target for each risk, and we forecast trajectories for reaching targeted ratings.

14 Government Finance Function and HM Treasury, *Orange Book: Management of risk – Principles and Concepts*, May 2013, last updated May 2023.

Figure 18
National Audit Office (NAO) risk management process, 2022-23

The NAO approach to risk management helps us to identify, evaluate, respond, report and monitor the NAO's risks



Note

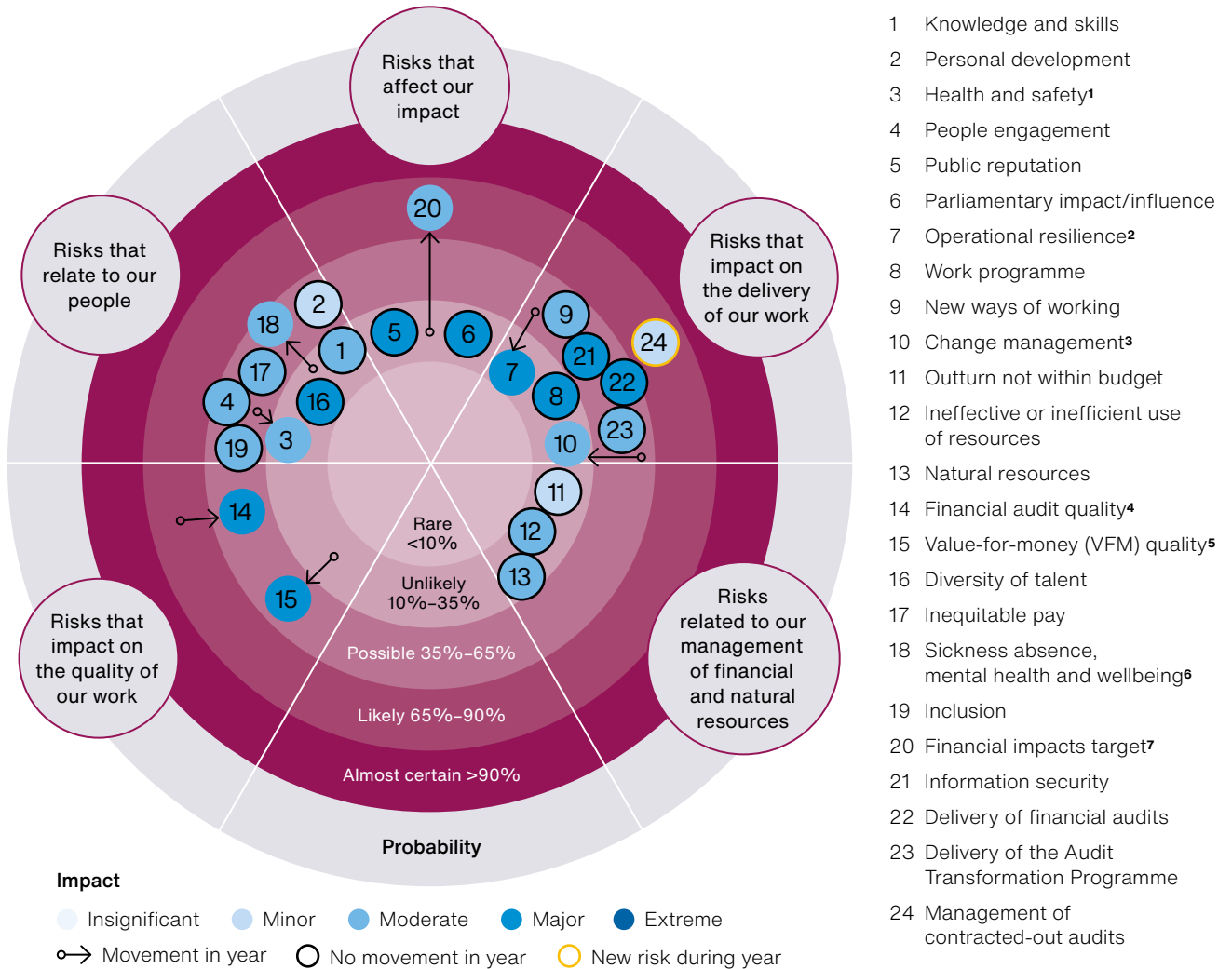
1 Projects within the NAO's change portfolio have their own risk management processes using a RAID (risks, actions, issues, decisions) log and drawing on advice from the Change and Transformation Team and the NAO's Risk Management Team. Risks from projects are escalated to corporate risk management if they require ongoing monitoring from the Executive Team (for example, Audit Transformation Programme, Project Net Zero Carbon).

Source: National Audit Office risk management framework

Figure 19

National Audit Office (NAO) strategic risks by area, as at 31 March 2023, showing probability, impact and movement from 1 April 2022

Most of NAO's risks have probability ratings of unlikely or possible, and most of them have remained static across the year



Notes

There were no risks where the impact changed between 1 April 2022 and 31 March 2023. The change in probability during the year is reflected as follows:

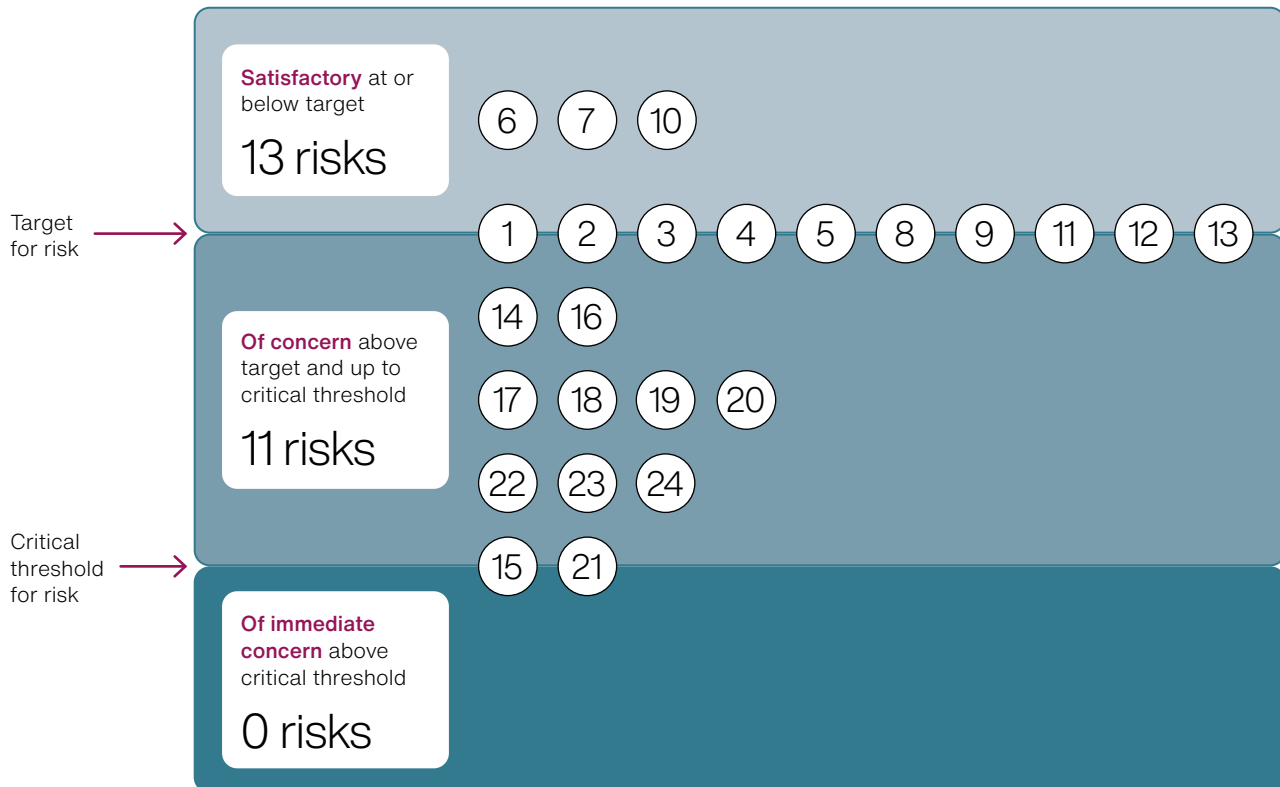
- Health and safety reduced in probability in April 2022, as all COVID-19 restrictions had been removed.
- Operational resilience reduced in probability in December 2022, as we upgraded our laptops to improve resilience.
- Change management reduced in probability in July 2022, as we reintroduced portfolio management and refreshed our change framework for conducting strategic projects to improve our project management.
- Financial audit quality risk reduced in probability in October 2022, as we reconfigured the risk statement to better reflect the key risks around quality.
- For VFM quality risk (number 15), our internal quality reviews concluded late in the reporting year, and therefore the two cases in 2021-22 requiring significant improvement were reflected in elevated risk scoring in 2022-23.
- Sickness absence, mental health and wellbeing increased in probability in October 2022, as we expanded the mental health and wellbeing risk to include sickness absence in response to higher sickness absence rates.
- Financial impacts are determined on a calendar basis and are then calculated and quality-assured through to the financial year-end. The financial impacts risk increased in probability during 2022-23 as it became less likely that we would meet the target. The rating here reflects the risk at 31 March of missing the target for 2022.

Source: National Audit Office analysis of risk registers

Figure 20

Spread of National Audit Office (NAO) strategic risks against target and critical threshold, as at 31 March 2023

More than half of NAO risks are satisfactory (at or below their target ratings), none are of immediate concern (above their critical thresholds)



- | | | |
|----------------------------------|--|---|
| 1 Knowledge and skills | 10 Change management | 18 Sickness absence, mental health and wellbeing |
| 2 Personal development | 11 Outturn not within budget | 19 Inclusion |
| 3 Health and safety | 12 Ineffective or inefficient use of resources | 20 Financial impacts target |
| 4 People engagement | 13 Natural resources | 21 Information security |
| 5 Public reputation | 14 Financial audit quality | 22 Delivery of financial audits |
| 6 Parliamentary impact/influence | 15 Value for money (VFM) quality | 23 Delivery of the Audit Transformation Programme |
| 7 Operational resilience | 16 Diversity of talent | 24 Management of contracted-out audits |
| 8 Work programme | 17 Inequitable pay | |
| 9 New ways of working | | |

Notes

- Positioning of circle denotes comparative position of risk in relation to its target and critical threshold, the target and critical threshold are individual to each risk.
- For the VFM quality risk (number 15), our internal quality reviews concluded late in the reporting year, and therefore the two cases in 2021-22 requiring significant improvement were reflected in elevated risk scoring in 2022-23.

Source: National Audit Office analysis of the risk registers

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 2022-23, 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. This was confirmed following an External Quality Assessment, which also benchmarked the service as excellent;
- delivering 19 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 receives an update from the chair of the ARAC after each meeting and also receives the Internal Audit Annual Report from the DIAA, which stated "I conclude that the NAO has adequate and effective governance, risk and control arrangements".

Internal control weaknesses

There were no significant weaknesses in our system of internal controls in 2022-23 that affected the achievement of our key policies, aims and objectives.

Internal whistleblowing

NAO people and others who work for or provide services to us can raise a concern without fear of reprisal. During the year the Board approved an updated internal Whistleblowing Policy, which has been improved to provide:

- greater clarity on roles and responsibilities;
- a range of procedures for raising concerns, to ensure that NAO people are signposted to the most appropriate channel;
- more information on how concerns will be investigated, to ensure a consistent and fair approach;
- a stronger appeal process by expanding the role of the senior independent director to review concerns investigated by management; and
- greater focus on assurance by enhancing the annual reporting from ARAC to the Board to cover any lessons learnt from the application of the policy, so that we embed a culture of improvement.

During the year Dame Clare Tickell concluded her investigation into a concern raised under the Whistleblowing Policy at the end of 2021-22. She provided a report with recommendations, which the C&AG has taken forward.

The DIAA investigated a concern raised during the year and concluded that the allegation of wrongdoing was unfounded.

External complaints

Anyone who encounters the NAO and is unhappy or dissatisfied can complain. We publish our complaints policy on our website and we have a formal three-stage complaints process.¹⁵ 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 2022-23 we handled 17 complaints under this process. We resolved 11 at stage 1, four at stage 2 and two at stage 3. No complaints were carried over to 2023-24.

Gareth Davies
Comptroller and Auditor General

19 June 2023

¹⁵ National Audit Office, [Complaints policy](https://www.nao.org.uk/complaints-policy) (nao.org.uk).

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 (PAC) jointly determine the remuneration of the C&AG and the NAO Chair. In accordance with the provisions of Part 2 and Schedule 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

TPAC approves the remuneration of the non-executive Board members. The remuneration paid to non-executive Board members is non-pensionable.

Executive Team

The NAO RemCo 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 2022-23, Daniel Lambauer, Kate Mathers and Max Tse were executive members of the Board.

Figure 21 provides details of the remuneration and pensions for the NAO Board and Executive Team. The information included in the figure has been subject to audit.

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.

Figure 21
Single total figure of remuneration (audited)

	Salary (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) ¹		Total remuneration (£000)	
Non-executive members of the National Audit Office (NAO) Board								
Name	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Dame Fiona Reynolds, NAO Chair	40–45	40–45	4,600	4,200	–	–	45–50	40–45
Gaenor Bagley	20–25	20–25	500	600	–	–	20–25	20–25
Alistair Conner (from 1 February 2023)	0–5 (full-year equivalent 20–25)	–	100	–	–	–	0–5	–
Sir Martin Donnelly	20–25	20–25	1,400	–	–	–	20–25	20–25
Janet Eilbeck ² (to 18 October 2022)	10–15 (full-year equivalent 20–25)	20–25	–	300	–	–	10–15	20–25
Dame Clare Tickell	20–25	20–25	–	–	–	–	20–25	20–25
Executive Team								
Name	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Gareth Davies, Comptroller and Auditor General (C&AG)	220–225	220–225	–	–	–	–	220–225	220–225
Abdool Kara ³	170–175	165–170	300	300	–	–	170–175	165–170
Daniel Lambauer ⁴	140–145	135–140	200	200	55,000	54,000	195–200	190–195
Elaine Lewis ⁴	125–130	120–125	200	200	1,000	30,000	125–130	150–155
Kate Mathers ⁴	140–145	135–140	200	200	8,000	33,000	145–150	170–175
Rebecca Sheeran ⁵	140–145	135–140	200	200	–	–	140–145	135–140
Max Tse ⁴	140–145	135–140	200	200	55,000	54,000	195–200	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.
- Janet Eilbeck was a non-executive member of the NAO Board from October 2016 to 18 October 2022. She was appointed by the C&AG to chair the Audit Quality Board (AQB) when it was first set up in 2021. Following her retirement from the Board, the C&AG has re-appointed Janet as Chair of AQB, as an independent member. The current year remuneration figures in this table relate to the period from 1 April 2022 to 18 October 2022, when Janet ceased to be a member of the NAO Board. Janet's earnings from her employment as Chair of AQB between 19 October 2022 and 31 March 2023 were £0–£5,000 (full-year equivalent £5,000–£10,000).
- Abdool Kara does not participate in the NAO pension scheme.
- Pension benefits disclosed in this table are determined by the specific pension schemes enrolled in. Career average schemes accrue pension benefits as a fixed percentage of the salary earned in-year, whereas final salary pension schemes accrue pension benefits 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 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 2022-23 was £21,000 (2021-22: £20,000).

Source: National Audit Office analysis of finance data

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred by the NAO and treated by HM Revenue & Customs (HMRC) 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 Figure 21 on page 121 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 121 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 HMRC 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 (the NAO's executive directors) were as shown in **Figure 22** (audited).

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 arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

Figure 22

Pension entitlements of National Audit Office (NAO) executive directors

	Accrued pension at pension age as at 31 March 2023 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value (CETV) at 31 March 2023	CETV at 31 March 2022	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Daniel Lambauer	30-35	2.5-5	313	268	20
Elaine Lewis	45-50 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0	695	633	-14
Kate Mathers	55-60	0-2.5	884	801	-10
Max Tse	30-35	2.5-5	347	299	22

Notes

- 1 Abdool Kara does not participate in the NAO pension scheme.
- 2 Rebecca Sheeran participates in the partnership 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 2022-23 was £21,000 (2021-22: £20,000).

Source: National Audit Office analysis of pension data

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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, 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 23**).

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

Neither the highest paid individual nor other NAO employees received performance pay or bonuses during 2022-23 (2021-22: nil).

There are no non-salary components in the total pay and benefits figures disclosed in the table below for the median, 25th percentile and 75th percentile (2021-22: nil).

Since the prior year, the 25th percentile, median and 75th percentile pay ratios have all 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.

Figure 23
Fair pay disclosures

		2022-23	2021-22
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	£68,540	£66,353
	Pay ratio	3.25	3.35
Median	Total pay and benefits	£57,500	£54,500
	Pay ratio	3.87	4.08
25th percentile	Total pay and benefits	£38,388	£36,386
	Pay ratio	5.80	6.11
Average percentage change in salary and allowances from the previous financial year for all National Audit Office employees (excluding the highest-paid individual)		2.11%	2.55%
Remuneration range		£19,800–£220,000 to £225,000	£19,000–£220,000 to £225,000

Source: National Audit Office analysis of finance data

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 (2021-22: nil).

The NAO believes the median pay ratio for 2022-23 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)

Figure 24 shows that the average number of persons employed during the year and Figure 25 overleaf shows related costs.

Figure 24

National Audit Office staff numbers

	2022-23	2021-22
Full-time equivalent permanent staff	909	911
Temporary staff	24	27
Inward secondees	1	1
Total	934	939

Note

1 Full-time equivalent is an average figure for the financial year.

Source: National Audit Office analysis of management accounts and Human Resources data

Figure 25

Staff costs

	2022-23			2021-22		
	Total	Permanent	Temporary	Total	Permanent	Temporary
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Wages and salaries	55,493	51,978	3,515	53,806	49,913	3,893
Social security costs	6,421	6,421	-	5,927	5,927	-
Pension costs	14,147	14,147	-	13,714	13,714	-
Gross cost	76,061	72,546	3,515	73,447	69,554	3,893
Secondment income	(109)	(109)	-	(178)	(178)	-
Net cost	75,952	72,437	3,515	73,269	69,376	3,893

Source: National Audit Office analysis of finance data

Staff turnover

Staff turnover shown in **Figure 26** 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.

NAO staff pension arrangements

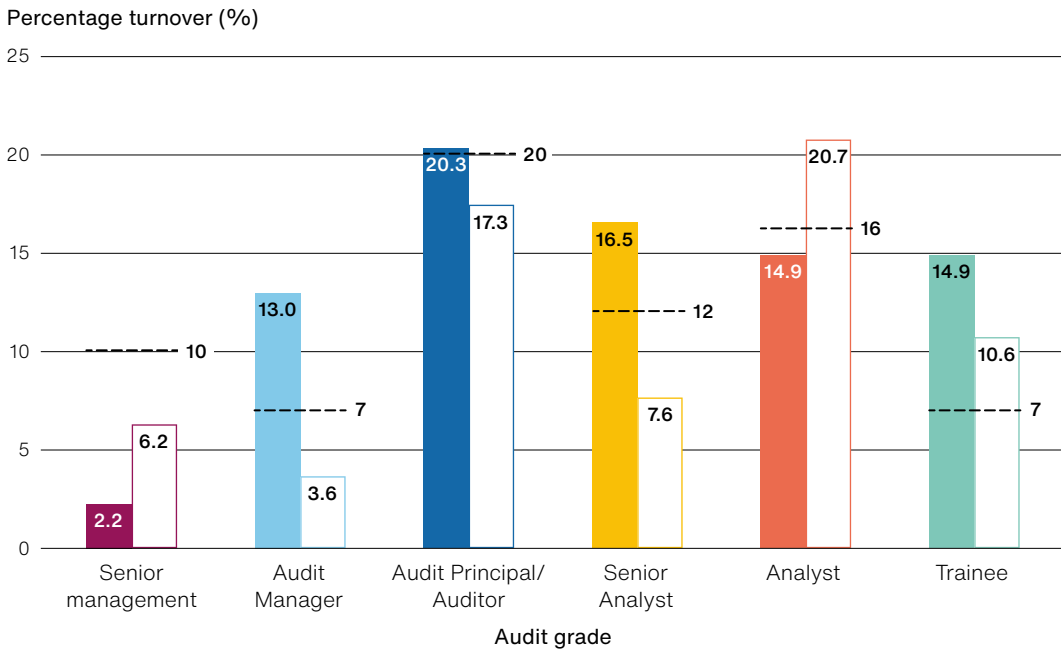
Pension benefits are provided through the civil service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's 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

Figure 26

National Audit Office (NAO) percentage turnover by audit grade, 2022-23

The NAO experienced the highest attrition rates for Audit Manager, Senior Analyst and Trainee grades



- 2022-23
- 2021-22
- Target

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 2023.

Source: National Audit Office analysis of Human Resources data

in the way that the 2015 pension reforms were introduced for some members, 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 below). 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 the Executive Team show pension earned in PCSPS or alpha, as appropriate. Where the member of the Executive Team 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. The classic plus scheme 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 the Executive Team show pension earned in PCSPS or alpha, as appropriate. Where the member of the Executive Team 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)

The NAO offers 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 27**.

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 27 shows the total cost of exit packages agreed and accounted for in 2022-23 (2021-22 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 Compensation Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Figure 27

Compensation packages offered during 2022-23

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2022-23 (2021-22)	2022-23 (2021-22)	2022-23 (2021-22)
<£10,000	- (-)	- (-)	- (-)
£10,000-£25,000	- (-)	- (-)	- (-)
£25,001-£50,000	- (-)	- (1)	- (1)
£50,001-£100,000	- (-)	1 (-)	1 (-)
£100,001-£150,000	- (-)	- (-)	- (-)
£150,001-£200,000	- (-)	- (-)	- (-)
Total number of exit packages	- (-)	1 (1)	1 (1)
Total cost (£000)			72 (44)

Source: National Audit Office analysis of finance data

Off-payroll engagements

The NAO makes use of temporary staff to supplement the resourcing of its financial audit work where shortfalls arise because of unexpected resignations or to help manage the pressure on its staff during peak periods of work. The NAO also, from time to time, engages individuals to provide specialist commercial, digital or project management expertise. As part of the engagement process, the NAO considers whether or not these individuals are subject to off-payroll legislation (**Figure 28** and **Figure 29** overleaf).

Figure 28

Highly paid off-payroll worker engagements as at 31 March 2023 earning £245 per day or greater

Number of existing engagements as at 31 March 2023	27
Of which:	
Number that have existed for less than one year at time of reporting	27
Number that have existed for between one and two years at time of reporting	-
Number that have existed for between two and three years at time of reporting	-
Number that have existed for between three and four years at time of reporting	-
Number that have existed for four or more years at time of reporting	-

Source: National Audit Office analysis of finance data

Figure 29

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023 earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2023	69
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	64
Subject to off-payroll legislation and determined as out-of-scope of IR35	5
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which:	
Number of engagements that saw a change to IR35 status following review	-

Source: National Audit Office analysis of finance data

There were no off-payroll engagements of Board members or senior officials with significant financial responsibility between 1 April 2022 and 31 March 2023.

Expenditure on consultancy

The NAO spent £1.7 million on consultancy in 2022-23 (2021-22: £2.2 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. Expenditure has fallen year-on-year because legal and procurement costs associated with major change projects are no longer required as these projects move into their implementation phase.

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 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 53 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.

As part of our wider Disability Equality Action Plan, which aims to support the retention and progression of our disabled colleagues, we took actions to improve our workplace adjustments process. In November 2022, we launched the new process and a related internal website. Our goal was to make the process faster for those who need workplace adjustments and empower performance coaches to manage the process with HR support. 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 13% of senior leaders.

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.

Parliamentary accountability and audit report

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under 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. 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 Supply Estimate, called control limits, their accounts will receive a qualified opinion.

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

The SOPS contains 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 (SOPS1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOPS to the financial statements (SOPS2); and a reconciliation of outturn to net cash requirement (SOPS3).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Information on the Public Spending Framework and the reasons why budgeting rules are different from 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 section on 'Financial performance' in the Performance Report provides a summarised discussion of Outturn against Estimate and functions as an introduction to the SOPS disclosures.

Summary tables – mirrors part 1 of the Estimates
Figure 30
Statement of Outturn against Parliamentary Supply (SOPS)

Summary table, 2022-23, all figures presented in £000s

Type of spend	SOPS note	Outturn			Estimate			Outturn vs Estimate saving/(excess)		Prior year Outturn total 2021-22
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Net total (voted and non-voted)
Departmental Expenditure Limit										
Resource	1.1	83,034	296	83,330	83,900	320	84,220	866	890	78,507
Capital	1.2	8,352	-	8,352	8,600	-	8,600	248	248	1,880
Total budget expenditure		91,386	296	91,682	92,500	320	92,820	1,114	1,138	80,387
Non-budget expenditure		-	-	-	-	-	-	-	-	-
Total budget and non-budget		91,386	296	91,682	92,500	320	92,820	1,114	1,138	80,387

Notes

- Figures in the areas outlined in the thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.
- 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 31
Net cash requirement 2022-23

All figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2021-22
Net cash requirement	3	85,343	86,539	1,196	76,510

Source: National Audit Office

Figure 32

Programme costs 2022-23

All figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2021-22
Programme costs	1.1	83,034	83,900	866	78,214

Source: National Audit Office

Notes to the Statement of Outturn against Parliamentary Supply

All figures in the notes to the SOPS are presented in £000s.

SOPS1. Outturn detail, by Estimate line

Figure 33

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, 2021-22
	Gross	Income	Net total			
	Programme			Total		
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A - Provision of audit and other assurance services	109,732	(26,698)	83,034	83,900	866	78,214
Total voted DEL	109,732	(26,698)	83,034	83,900	866	78,214
Non-voted expenditure						
B - The Chair and the Comptroller & Auditor General costs	296	-	-	320	24	293
Total non-voted DEL	296	-	296	320	24	293
Total spending in DEL	110,028	(26,698)	83,330	84,220	890	78,507

Source: National Audit Office analysis of finance data

Figure 34

SOPS1.2 Analysis of capital Outturn by Estimate line

Type of spend (capital)	Capital outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior year Outturn total, 2021-22
	Gross	Income	Net total	Total		
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A - Provision of audit and other assurance services	8,352	-	8,352	8,600	248	1,880
Total voted DEL	8,352	-	8,352	8,600	248	1,880

Source: National Audit Office

SOPS2. Reconciliation of net resource outturn to net cash requirement

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

SOPS3. Reconciliation of net resource outturn to net cash requirement

Figure 35

SOPS3 Reconciliation of net resource outturn to net cash requirement

	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)
Total Resource Outturn	1.1	83,330	84,220	890
Total Capital Outturn	1.2	8,352	8,600	248
Accruals to cash adjustments				
Adjustments to remove non-cash items				
Depreciation		(3,555)	(3,445)	110
Change in provisions		(207)	(201)	6
Other non-cash items		(1,954)	(2,400)	(446)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		1,775	(3)	(1,778)
(Increase)/decrease in payables		(2,102)	88	2,190
Total		85,639	86,859	1,220
Removal of non-voted budget items:				
Consolidated Fund standing services		(296)	(320)	(24)
Net cash requirement		85,343	86,539	1,196

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 permitted to do so under legislation (**Figure 36** overleaf). 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 TPAC.

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. The NAO's audit and assurance work shows an increase in the deficit from the prior year, which means that actual costs were not fully covered by the fees charged.

This difference arose because the NAO adopted the revised auditing standard (ISA 315) on identifying and assessing risk, which introduced a major change in the audit approach across the portfolio this year. There were significant familiarisation and implementation 'one-off' costs incurred this year and which were not recouped through the fees charged to audit bodies. The NAO has assessed these are short-term deficits and anticipates returning to its trajectory towards a full breakeven position next year.

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 36
Fees and charges

2022-23			
	Income	Expenditure	Surplus/(deficit)
	(£000)	(£000)	(£000)
Audit and Assurance work ^{1,2}	24,508	28,816	(4,308)
Secondment income	109	152	(43)
Rental of office space	2,029	1,140	889
Grant income	52	52	-
Total	26,698	30,160	(3,462)

2021-22			
	Income	Expenditure	Surplus/(deficit)
Audit and Assurance work ^{1,2}	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)

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 £4,308,000 total deficit in Audit and Assurance work, £3,233,000 relates to Statutory Audit work. If non-recoverable VAT is excluded from Statutory Audit expenditure, the deficit in Statutory Audit work would be £2,363,000 and the total deficit in Audit and Assurance work would be £3,438,000. (2021-22: Of the £2,230,000 total deficit in Audit and Assurance work, £1,818,000 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 £1,072,000 and the total deficit in Audit and Assurance work would have been £1,484,000).

Source: National Audit Office analysis of finance data

Losses and special payments (audited)

There were no losses or special payments that require disclosure because of their size or nature in 2022-23 (2021-22: nil).

Gareth Davies
Comptroller and Auditor General

19 June 2023

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 2023, 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 2023 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 2023 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 Financial Reporting Council's (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 FRC'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 22/23) 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 Auditor
 Crowe U.K. LLP
 55 Ludgate Hill
 London
 EC4M 7JW
 UK

Date: 19 June 2023

3_

Financial Statements

Statement of Comprehensive Net Expenditure for the period ended 31 March 2023

		2022-23	2021-22
	Note	(£000)	(£000)
Contract income	6	(24,508)	(23,267)
Other income	6	(2,190)	(2,173)
Total operating income		(26,698)	(25,440)
Staff costs	3	76,061	73,447
Purchase of goods and services	4	30,163	27,485
Non-cash costs	5	3,647	2,917
Tax expense		157	98
Total operating expenditure		110,028	103,947
Net operating expenditure for the year		83,330	78,507
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	2,178	(3,144)
Total comprehensive net expenditure for the year		85,508	75,363

The notes on pages 149 to 171 form part of these accounts.

Source: National Audit Office

Statement of Financial Position as at 31 March 2023

	Note	2022-23		2021-22	
		(£000)	(£000)	(£000)	(£000)
Non-current assets:					
Right-of-use assets	7	71,628		72,799	
Property, plant and equipment	7	21,297		19,142	
Intangible assets	8	2,787		980	
Receivables falling due after one year	9	108		57	
Total non-current assets		95,820		92,978	
Current assets:					
Trade and other receivables	9	5,997		5,375	
Contract assets – accrued income	9	2,679		1,577	
Cash and cash equivalents		448		291	
Total current assets		9,124		7,243	
Total assets		104,944		100,221	
Current liabilities:					
Trade and other payables	10	(8,934)		(6,668)	
Contract liabilities – payments received on account	10	(1,670)		(1,739)	
Lease liabilities	11	(91)		-	
Provisions		(201)		-	
Total current liabilities		(10,896)		(8,407)	
Total assets less current liabilities		94,048		91,814	
Non-current liabilities:					
Lease liabilities	11	(2,097)		-	
Provisions		(132)		(126)	
Total non-current liabilities		(2,229)		(126)	
Total assets less liabilities		91,819		91,688	
Taxpayers' equity and other reserves:					
General fund		33,374		29,339	
Revaluation reserve		58,445		62,349	
Total equity		91,819		91,688	

The notes on pages 149 to 171 form part of these accounts.

Gareth Davies

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

19 June 2023

Source: National Audit Office

Statement of Cash Flows for the period ended 31 March 2023

		2022-23	2021-22
	Note	(£000)	(£000)
Cash flows from operating activities:			
Net operating expenditure for the year		(83,330)	(78,507)
Adjustments for non-cash transactions	5	3,647	2,917
(Increase)/decrease in trade and other receivables	9	(673)	300
(Increase)/decrease in contract assets	9	(1,102)	941
Increase/(decrease) in trade and other payables	10	3,130	(221)
Increase/(decrease) in contract liabilities	10	(69)	72
Other working capital movements not passing through the Statement of Comprehensive Net Expenditure	1.8	(98)	-
Change in provisions		207	(137)
Net cash outflow from operating activities		(78,288)	(74,635)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(4,194)	(925)
Purchase of intangible assets	8	(1,919)	(955)
Increase/(decrease) in non-trade payables	10	(1,021)	(288)
Net cash outflow from investing activities		(7,134)	(2,168)
Cash flows from financing activities:			
From the Consolidated Fund (Supply) – current year		85,500	75,250
Consolidated Fund Standing Services	4	296	293
Cash repayments of principal on leases		(217)	-
Net financing		85,579	75,543
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		157	(1,260)
Cash and cash equivalents at the beginning of the year		291	1,551
Cash and cash equivalents at the end of the year		448	291

The notes on pages 149 to 171 form part of these accounts.

Source: National Audit Office

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2023

	General fund ¹	Revaluation reserve ²	Total reserves
Note	(£000)	(£000)	(£000)
Changes in taxpayers' equity			
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
Net Parliamentary Funding drawn down	85,500	-	85,500
Net Parliamentary Funding deemed	291	-	291
Supply payable adjustment	(448)	-	(448)
Consolidated Fund Standing Services	4	296	296
Comprehensive net expenditure for the year	(83,330)	(2,178)	(85,508)
Realised element of revaluation reserve	1,726	(1,726)	-
Balance at 31 March 2023	33,374	58,445	91,819

The notes on pages 149 to 171 form part of these accounts.

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 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 (FRoM) issued by HM Treasury.

The accounting policies adopted by the National Audit Office (NAO) are described below. Where the FRoM permits a choice of accounting policy, the accounting policy most appropriate to give a true and fair view of the 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 is one reporting standard issued but not yet effective:

- IFRS 17 (Insurance Contracts).

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 1 April 2025. 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's 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 has adopted IFRS 16 (Leases) effective from 1 April 2022 in accordance with the requirements of the FReM. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous standard IAS 17 (Leases).

IFRS 16 requires an entity to recognise an asset in the Statement of Financial Position relating to contracts which are, or contain, a lease of an identified asset, such as property, vehicles or equipment. A corresponding lease liability is recognised at the same time, measured using the present value of the lease payments not yet paid.

The transitional provisions of IFRS 16, as adapted by the FReM, require the NAO to recognise the cumulative effect of initially applying IFRS 16 at the date of initial application as an adjustment to the opening balance of the General Fund.

Upon initial application of IFRS 16, some small movements in assets and liabilities occurred which did not pass through the Statement of Comprehensive Net Expenditure. There are consequent reconciling differences between net operating expenditure and net cash outflow from operating activities, which are aggregated within the Statement of Cash Flows under the heading 'Other working capital movements not passing through the Statement of Comprehensive Net Expenditure'.

Leasing arrangements

The NAO has a 130-year lease for the use of the London property, which is at a peppercorn rent. The London property is a non-specialised asset with service potential and therefore a right-of-use asset is recognised and measured at current value in existing use following Royal Institution of Chartered Surveyors guidance (as specified in the FReM, cost is not an appropriate proxy for right-of-use assets under peppercorn leases). No lease liability has been recognised on the basis that there are no future lease payments due.

The NAO has a 10-year lease for the use of office space in Newcastle which was in effect at the point at which IFRS 16 was applied. This lease is due to expire by August 2023. The lease is accounted for as a right-of-use asset at the date IFRS 16 became effective. The adjustment to the General Fund to recognise the lease on initial application of IFRS 16 under the transitional provision is zero because the right-of-use asset recognised was equal to the value of the lease liability.

The NAO has entered into a new lease for office space in Newcastle which commenced on 1 January 2023 for a term of 10 years. The lease is due to expire in January 2033. This lease is accounted for as a right-of-use asset from the date the lease term commenced.

The right-of-use assets for both Newcastle office leases are measured using a cost model as a proxy for current value in existing use. This is calculated as the sum of the present value of future lease payments (taking into account any rent-free periods) as well as direct legal and compliance costs of entering into the lease. The cost model valuation is used because the right-of-use asset has a shorter useful life than the underlying asset, which would otherwise be valued at fair value. The NAO cannot readily determine the interest rate implicit in these leases, so the future lease payments due are discounted using the HM Treasury lease discount rate applicable either at initial application of IFRS 16 (0.95%, for existing leases previously classified as an operating lease) or at the time the lease was entered into (3.51%, for leases commencing during 2022-23).

1.9 Value Added Tax on purchases

The NAO partially recovers the VAT it pays on its purchases by using a methodology agreed with HM Revenue & Customs (HMRC) and, consequently, it is difficult to attribute VAT recoverable to specific items. 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 under operating leases. 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. The NAO did not opt to tax floors of its London property which it rents to third parties and does not charge VAT on rental income.

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. 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. Property, plant and equipment and right-of-use assets are depreciated over their useful lives or over the lease term from the date at which they are brought into use.

Fit-out costs relating to the new Newcastle office space, which represent leasehold improvements, have been accounted for under IAS 16 and included in the plant and machinery category within property, plant and equipment. The NAO does not expect to be able to use the leasehold improvements beyond the lease term of the related lease, so the useful life of the non-removable leasehold improvements is the same as the lease term.

Remaining asset lives are in the following ranges:

Land	Non-depreciable
Building elements	31 to 61 years
Plant and machinery (including leasehold improvements)	9 to 18 years
Computers and other equipment	2 to 10 years
Furniture, fixtures and fittings	5 to 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 to 10 years
Software licences	2 to 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 the NAO's 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 a right-of-use asset under IFRS 16 and has applied the revaluation model in IAS 16 when measuring the asset value. Each year the NAO considers the current value in existing use of this property, and whether there has been a change year-on-year.

The NAO uses a professional valuer to help arrive at the valuation, 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. The valuation is sensitive to the factors that affect the demand and supply of office space in the Victoria area of London. 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 value of the building is recognised through other comprehensive net expenditure and accumulated in 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 Audit Transformation Programme – 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.

The ATP involves the production of internally developed software designed for use in financial audit engagements:

- The Risk Assessment and Planning Tool (RAPT) is a customised application developed using the Power platform (a commercial platform for building customised software applications) and is intended to support audits undertaken during Phase 1 of the ATP.
- Phase 2 of the ATP envisages a longer-term strategic software solution, named the Audit Management System (AMS).
- A version of the RAPT which reflected its development up to a point in time on the Power platform was transferred and incorporated into the development environment for AMS in July 2022 and is now part of the AMS asset being developed as part of the strategic solution.
- After July 2022, the NAO has continued to incur costs in relation to maintenance and technical support for the version of RAPT on the Power platform. This was rolled out in September 2022 as a tactical solution for the delivery of the 2022-23 client accounts.

The NAO has applied the criteria in IAS 38 (Intangible Assets) to determine whether costs incurred as part of the ATP, including the RAPT and AMS projects, give rise to an intangible asset and should therefore be capitalised. This includes making management judgements about whether particular costs arise from the research phase or the development phase of the internal projects for RAPT and AMS development. Costs which, in the NAO's judgement, relate to the development phase have been capitalised and included within the 'Internally developed audit software' class of intangible assets.

The development phase of the RAPT is considered to comprise costs incurred in the following period:

- after 14 May 2021 – the date at which the NAO took a decision to proceed with development of the RAPT and therefore had a demonstrable intention to complete and use it; and
- before 31 July 2022 – the date the point-in-time RAPT was transferred into the development environment for AMS.

Costs associated with the RAPT incurred after July 2022 have not been capitalised. The RAPT is a temporary solution for use while the AMS is developed and is not expected to be used after the audits of 2022-23 client accounts are complete. Whereas RAPT costs up to this point are additionally directly attributable to bringing the AMS into use (since the AMS is based on the July 2022 RAPT), this is not the case for costs incurred after the point-in-time transfer.

The development phase of the AMS is considered to comprise costs which are associated with particular 'sprints' in the context of the Agile (iterative) project management approach that has been used during AMS development:

- The sprints whose costs have been capitalised relate to developing the prototype selected by the NAO and the deployment of the solution developed.
- Sprints relating to exploratory design costs are considered to be part of the research phase.
- The capitalised costs include the work of contractors, but do not include the costs of staff directly employed by the NAO, whose work includes general oversight of AMS delivery and other research and administration work from which discrete capital development activities cannot be identified.

All other costs entered into as part of the ATP have been recognised as expenditure as they are incurred, because they do not arise from an identifiable intangible asset that will generate probable future economic benefits. These include, but are not limited to, costs incurred to develop the NAO's updated audit methodology and its content (knowledge) libraries of defined risks and audit responses.

Amortisation has been charged on the capitalised amount for RAPT from September 2022, because it came into general use by the Financial Audit Service Line from that date. The remaining amortisation period of the RAPT asset as at 31 March 2023 is 10 years. No amortisation has been charged on the strategic solution (AMS) as at 31 March 2023 because it will not be rolled out or be in use until autumn 2023, when planning begins for the audit of 2023-24 client accounts.

2 National Audit Office operating segments

2022-23									
	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	78,349	18,288	6,369	5,492	1,089	145	109,732	296	110,028
Contract income	(24,292)	-	-	-	(216)	-	(24,508)	-	(24,508)
Other income	(1,563)	(365)	(127)	(110)	(22)	(3)	(2,190)	-	(2,190)
Net expenditure	52,494	17,923	6,242	5,382	851	142	83,034	296	83,330

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

Notes

- 1 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 page 81.
- 2 Non-voted expenditure comprises the Comptroller and Auditor General's (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.
- 3 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.
- 4 The chief operating decision body of the NAO is considered to be the Executive Team and details of its membership can be found on pages 94 to 97. 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

	2022-23			2021-22
	Total	Permanent	Temporary	Total
	(£000)	(£000)	(£000)	(£000)
Wages and salaries	55,493	51,978	3,515	53,806
Social security costs	6,421	6,421	-	5,927
Pension costs	14,147	14,147	-	13,714
Gross costs	76,061	72,546	3,515	73,447
Secondment income	(109)	(109)	-	(178)
Net costs	75,952	72,437	3,515	73,269

Note

1 Details on staff numbers and related costs can be found in the Remuneration and Staff Report on pages 120 to 131.

Source: National Audit Office

4 Purchase of goods and services

	2022-23		2021-22	
	(£000)	(£000)	(£000)	(£000)
Professional services	16,316		15,059	
Audit technology	2,069		2,076	
Facilities management	5,115		5,024	
Travel, subsistence, hospitality	879		228	
Digital services	3,370		3,469	
Recruitment and training	1,698		1,372	
Staff-related costs	582		552	
External auditors – audit fee	70		60	
– other work	65		42	
Other administration costs	849		410	
Operating lease rentals	-		218	
VAT recoverable ¹	(1,146)		(1,318)	
Total voted costs		29,867		27,192
C&AG salary ²	251		249	
Chair salary ²	45		44	
Total non-voted costs		296		293
		30,163		27,485

Notes

- 1 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.
- 2 The C&AG's and chair's salaries include employer social security costs.

Source: National Audit Office

5 Non-cash costs

	2022-23		2021-22	
	(£000)	(£000)	(£000)	(£000)
Depreciation on right-of-use assets	1,043		-	
Depreciation on property, plant and equipment	1,115		1,800	
Depreciation on other items	1,285		1,057	
Amortisation on intangible assets	112		59	
Total depreciation		3,555		2,916
Loss on disposal		1		1
Impairment of non-current assets		72		-
Interest on lease liabilities		19		-
Total non-cash costs		3,647		2,917

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.

	2022-23	2021-22
	(£000)	(£000)
Contract income		
Audit and assurance		
Statutory audit income	11,811	10,986
Agreement audit income	5,949	5,623
Companies Act audit income	6,532	6,387
	24,292	22,996
International relations	216	271
Total contract income	24,508	23,267
Other income		
Secondment income	109	178
Rental of office space	2,029	1,926
Grant income	52	69
Total other income	2,190	2,173
Total income	26,698	25,440

Notes

- 1 Included within contract income earned for the year is £1,739,000 (2021-22: £1,667,000) 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 £815,000 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 £800,000.
- 3 As at the current reporting date, we expect to earn future income of £17,239,000 (2021-22: £15,787,000) 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 and right-of-use assets

	2022-23							
	Right-of-use assets				Property, plant and equipment			
	London office (land element)	London office (building element)	Newcastle office	Total	Plant & machinery	Computers & other equipment	Furniture fixtures & fittings	Total
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Cost or valuation								
At 1 April 2022	38,428	34,371	-	72,799	16,615	6,724	3,780	27,119
Adjustment upon initial application of IFRS 16	-	-	246	246	-	-	-	-
Adjusted balance as at 1 April 2022	38,428	34,371	246	73,045	16,615	6,724	3,780	27,119
Additions	-	-	2,239	2,239	1,037	3,002	155	4,194
Disposals	-	-	-	-	-	(123)	(30)	(153)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	(1,792)	(1,562)	-	(3,354)	(752)	-	-	(752)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2023	36,636	32,809	2,485	71,930	16,900	9,603	3,905	30,408
Depreciation								
At 1 April 2022	-	-	-	-	13	4,963	3,001	7,977
Charged in year	-	813	230	1,043	1,115	1,156	129	2,400
Disposals	-	-	-	-	-	(121)	(30)	(151)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	-	(813)	-	(813)	(1,115)	-	-	(1,115)
Impairment	-	-	72	72	-	-	-	-
At 31 March 2023	-	-	302	302	13	5,998	3,100	9,111
Net book value								
At 31 March 2023	36,636	32,809	2,183	71,628	16,887	3,605	805	21,297
At 31 March 2022	38,428	34,371	-	72,799	16,602	1,761	779	19,142

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 £85 million as at 31 March 2023 (31 March 2022: £89 million).
- The net effect of the revaluation (after the annual depreciation charge) was a decrease of £2.2 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 £5.0 million and £11.9 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 £0.4 million and £4.8 million.
- Further information on the key judgements relating to the valuation is provided in Note 1.21.
- Upon initial application of IFRS 16, a right-of-use asset has been recognised in respect of the lease on the Newcastle office, which was previously classified as an operating lease under IAS 17. This is shown as an adjustment to the balance as at 1 April 2022 shown in the table above.

7 Property, plant and equipment and right-of-use assets *continued*

	2021-22							
	Right-of-use assets				Property, plant and equipment			
	London office (land element)	London office (building element)	Newcastle office	Total	Plant & machinery	Computers & other equipment	Furniture fixtures & fittings	Total
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Cost or valuation								
At 1 April 2021	38,000	33,749	-	71,749	16,315	5,964	3,645	25,924
Additions	-	-	-	-	-	790	135	925
Disposals	-	-	-	-	-	(30)	-	(30)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	428	622	-	1,050	300	-	-	300
Impairment	-	-	-	-	-	-	-	-
At 31 March 2022	38,428	34,371	-	72,799	16,615	6,724	3,780	27,119
Depreciation								
At 1 April 2021	-	-	-	-	7	4,052	2,884	6,943
Charged in year	-	779	-	779	1,021	940	117	2,078
Disposals	-	-	-	-	-	(29)	-	(29)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	-	(779)	-	(779)	(1,015)	-	-	(1,015)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2022	-	-	-	-	13	4,963	3,001	7,977
Net book value								
At 31 March 2022	38,428	34,371	-	72,799	16,602	1,761	779	19,142
At 31 March 2021	38,000	33,749	-	71,749	16,308	1,912	761	18,981

Source: National Audit Office

8 Intangible assets

	2022-23		
	Internally developed audit software	Other intangible assets	Total
	(£000)	(£000)	(£000)
Cost			
At 1 April 2022	942	755	1,697
Additions	1,919	-	1,919
Disposals	-	-	-
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2023	2,861	755	3,616
Amortisation			
At 1 April 2022	-	717	717
Charged in year	82	30	112
Disposals	-	-	-
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2023	82	747	829
Net book value			
At 31 March 2023	2,779	8	2,787
At 31 March 2022	942	38	980

	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

Note

- 1 Internally developed audit software consists of costs incurred in delivering the Audit Transformation Programme detailed in Note 1.
Other intangible assets consist of licences for the rights to use software or the costs of developing our own non-audit-related software.

Source: National Audit Office

9 Trade and other receivables

	2022-23	2021-22
	(£000)	(£000)
Amounts falling due within one year:		
Contract receivables	2,854	1,510
Trade receivables	-	492
Deposits and advances	33	24
Other receivables	64	126
Contract assets – accrued income	2,679	1,577
Prepayments	3,046	3,223
	8,676	6,952
Amounts falling due after more than one year:		
Other receivables	108	57
	108	57
Total	8,784	7,009

Note

- 1 There were no impairment losses and nil loss allowance for expected credit losses on any receivables or contract assets in 2022-23 (2021-22: nil loss allowances for expected credit losses and nil on any contract assets). Other receivables include lease incentives granted to tenants of our London office.

Source: National Audit Office

10 Trade and other payables

	2022-23	2021-22
	(£000)	(£000)
Amounts falling due within one year:		
Amounts payable to HMRC	184	121
Trade payables	58	20
Other payables	9	62
Accruals	8,235	6,174
Contract liabilities – payments received on account	1,670	1,739
	10,156	8,116
Amounts issued from the Consolidated Fund for supply but not spent at year-end	448	291
Total	10,604	8,407

Note

- 1 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 Lease liabilities

	2022-23	2021-22
	(£000)	(£000)
Land and buildings:		
Payable within 1 year	91	-
Payable later than 1 year and not later than 5 years	2,097	-
	2,188	-

Information about the NAO's leases may be found either elsewhere within the financial statements as cross-referenced in the following table or as disclosed below:

	Note
Depreciation charge for right-of-use assets by class of underlying asset	7
Interest expense on lease liabilities	5
Income from subleasing right-of-use assets ¹	6
Additions to right-of-use assets	7
Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset	7
Information about the NAO's leasing activities	1.8

Notes

- All rental income relates to subletting of office space within the NAO's London headquarters, which is recognised as a right-of-use asset on peppercorn terms.
- The lease liabilities recognised in the Statement of Financial Position relate to the lease on the NAO's Newcastle office.
- The total cash outflow for leases during 2022-23 was £300,000 (2021-22: £163,000).
- The lease liability amount payable within one year of 31 March 2023 is significantly smaller than the amounts payable in subsequent years. This is because of the effect of a lease incentive (up-front rental discount) on the timing of cash flows on the new Newcastle office lease.

Source: National Audit Office

12 Maturity analysis of lease payments to be received under operating leases

	2022-23	2021-22
	(£000)	(£000)
Undiscounted lease payments to be received under operating leases where the NAO is the lessor		
Receivable within 1 year	1,155	1,142
Receivable later than 1 year and not later than 2 years	602	444
Receivable later than 2 years and not later than 3 years	191	–
Receivable later than 3 years and not later than 4 years	191	–
Receivable later than 4 years and not later than 5 years	32	–
Receivable later than 5 years	–	–
Total	2,171	1,586

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 assesses its counter-parties 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 2022-23.
 - Amounts due from audit bodies in respect of work invoiced as at 31 March 2023 were £2.9 million (31 March 2022: £2.0 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 2022-23 (2021-22: nil).

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 2023 (there was no material foreign currency exposure as at 31 March 2022).

14 Related party and other transactions

The NAO is headed by the C&AG 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 (TPAC). 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 2022-23 the NAO raised invoices of £145,200 to the Foreign, Commonwealth & Development Office (FCDO) and its contractors and subsidiaries (2021-22: £125,581 from the FCDO 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 (PCSPS).
- Contractual relationships with organisations who occupy space in the NAO's headquarters building and pay rent 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 below.

Party	Nature of relationship with the party	Rent and service charge earned	
		2022-23	2021-22
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.	£352,311	£335,753
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

15 Events after the reporting period

There are no events after 31 March 2023 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 19 June 2023.

Statement of National Audit Office financial impacts

The Statement of Financial Impacts represents our estimate of the financial benefits achieved in 2022 following the implementation of our recommendations to government (**Figure 37** on pages 173 and 174). 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 37

2022 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value ¹ (£)	Nature of impact	Year of claim	Audited body with whom impact agreed
<p>Universal Credit Advances Fraud</p> <p>Reduction in fraud as a result of the Department introducing a number of measures, including enhancing its identify verification checks, and a machine learning model to identify fraud.</p>	142,000,000	Recurring	1 of 3	Department for Work & Pensions
<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>	124,600,000	Recurring	3 of 3	Crown Commercial Service
<p>NHS Property Services – reduction in outstanding debt</p> <p>Improving the timeliness of billing, more engagement with customers, and closer working to resolve issues more quickly, have together helped reduce outstanding debt.</p>	78,400,000	Recurring	2 of 4	Department of Health & Social Care and NHS Property Services
<p>Electricity Networks</p> <p>Reduced cost of capital for electricity network companies resulting in lower consumer costs.</p>	71,600,000	Recurring	2 of 7	Office of Gas and Electricity Markets
<p>Recovery of tax debt through increased capacity</p> <p>HM Revenue & Customs (HMRC) increased debt management capacity, by funding additional staff to provide greater support to taxpayers seeking to pay off accrued tax debts which increased as a result of the COVID-19 pandemic.</p>	43,000,000	Recurring	1 of 4	HM Revenue & Customs
<p>Acquiring and disposing of school sites</p> <p>Improved oversight of the arm's-length body responsible for acquiring, developing and disposing of school sites has resulted in the body achieving better results – often now acquiring sites below book value and disposing of sites above book value.</p>	34,629,000	Recurring	1 of 3	Department for Education
<p>Recovery of overpayment of COVID-19 employment support scheme payments</p> <p>HMRC increased compliance staff checking payments, increasing the overpayments it recovered.</p>	28,000,000	Recurring	1 of 2	HM Revenue & Customs

Figure 37 *continued*
2022 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value ¹ (£)	Nature of impact	Year of claim	Audited body with whom impact agreed
Leeds Hospital PFI refinancing The Leeds Teaching Hospitals NHS Trust refinanced its PFI contract on more favourable terms, paying a lower interest rate and generating savings for the taxpayer.	26,000,000	One-off	–	HM Treasury and Leeds Teaching Hospitals NHS Trust
Local authority borrowing and investment New restrictions on local authority borrowing from Public Works Loan Board: Local authorities were no longer able to borrow to buy investment assets primarily for yield (to generate income), leading to reduced borrowing.	8,333,000	One-off	–	HM Treasury
Sheffield City Council Highways PFI refinancing Sheffield City Council refinanced its 'Streets Ahead' PFI contract on more favourable terms, paying a lower interest rate and generating savings for the taxpayer.	7,100,000	One-off	–	HM Treasury and Sheffield City Council
Sub-total	£564 million			
Impacts below £5 million	£8 million			
Total financial impacts	£572 million			

Note

1 The column may not add up due to rounding.

Source: National Audit Office analysis of financial impact data

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 2023.

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: 19 June 2023

Annex: Sustainability data

Figure 38

Greenhouse gas emissions, 2017-18 to 2022-23

		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-financial indicators (CO ₂ e)	Total gross emissions for scopes 1 and 2	1,488	1,159	1,019	770	712	744
	Total net emissions for scope 1	407	355	354	320	299	319
	Total net emissions for scope 2	1,082	805	665	449	413	425
	Gross emissions scope 3 – business travel	640	718	586	7	56	342
	Gross emissions scope 3 – waste	2.1	2.1	1.6	0.2	1.0	1.5
Related energy consumption (kWh)	Electricity: non-renewable	293,901	87,910	0	0	0	0
	Electricity: renewable	2,782,799	2,755,263	2,600,798	1,927,259	1,945,210	2,199,162
	Gas	2,207,653	1,927,693	1,927,438	1,741,963	1,634,373	1,770,508
Related business travel data (CO ₂ e)	Domestic air travel	34	33	32	0	2.8	5.7
	International air travel – short haul	29	45	28	1	3.6	16.5
	International air travel – medium/long haul	137	181	180	0	2.8	63.3
	Rail, underground or tram travel	131	113	59	1	11	40
	Road travel	24	31	28	5	11	53
	Accommodation	286	316	259	0	25	165
Financial indicators (£000)	Expenditure on energy	565	589	588	524	500	678
	Expenditure on electricity	518	536	531	470	456	599
	Expenditure on gas ¹	47	53	56	54	43	80
	Expenditure on official business travel	693	800	693	18	216	404

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 In 2015-16 our carbon footprint was restated for all years in order to account for material changes to the conversion factors provided by the Department for Environment, Food & Rural Affairs (Defra) for company reporting purposes.
- 4 London office data – Scope 1 and 2: Calculated using first-hand data retrieved from the office's Building Management System. The data do not include the scope 1 and 2 emissions produced by National Audit Office (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.
- 5 Newcastle office data – Scope 1 and 2: As in London, electricity is metered on to the office floor but gas is calculated as a percentage of occupied space.
- 6 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 39
Waste, 2017-18 to 2022-23

		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Non-financial indicators (tonnes)							
Total waste		117.0	118.4	96.7	9.7	54.9	81.4
Hazardous waste total		0.5	0.0	0.0	0.0	0.0	0.3
Non-hazardous waste	Landfill	0.0	0.0	0.0	0.0	0.0	0.0
	Re-used/recycled	52.8	54.1	33.2	3.8	34.7	48.2
	Composted	38.7	40.0	41.8	1.0	13.9	17.6
	Incinerated/energy re-used	25.0	24.2	21.8	4.9	6.3	15.4
Breakdown of waste	Paper	35.6	40.9	17.1	0.3	19.8	28.0
	Glass	1.0	1.4	1.6	0.0	0.9	1.3
	Food	38.7	40.0	41.8	1.0	13.9	17.6
	Mixed recyclables	16.2	11.7	12.8	3.4	11.9	18.8
	Non-recyclable	25.0	24.3	21.8	4.9	6.3	15.4
	ICT recyclable	0.0	0.0	0.0	0.0	1.6	0.3
	Hazardous	0.5	0.0	1.7	0.0	0.5	0.0
Financial indicators (£000)							
Total disposal cost		31.8	34.1	36.9	31.7	35.8	31.0
Hazardous waste – total disposal cost		1.4	1.8	0.1	0.0	0.0	0.5
Non-hazardous waste – total disposal cost	Landfill	0.0	0.0	0.0	0.0	0.0	0.0
	Re-used/recycled	13.9	15.7	17.0	11.9	21.7	16.1
	Composted	3.8	3.8	4.3	5.2	1.8	7.5
	Incinerated/energy re-used	12.7	12.8	15.5	14.6	12.4	6.8
Breakdown of waste	Paper	4.3	5.9	6.1	7.5	4.2	6.4
	Glass	0.6	0.3	1.0	1.3	0.5	0.6
	Food	3.8	3.8	4.3	5.2	1.8	7.5
	Mixed & ICT recyclables	8.9	9.5	9.9	3.1	16.9	9.2
	Non-recyclable	12.7	12.8	15.5	14.6	12.4	6.8
	Hazardous	1.4	1.8	0.1	0.0	0.0	0.5

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 (NAO) 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 40

Water, 2017-18 to 2022-23

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Finite resource consumption – Water						
Non-financial indicators (m³)						
Supplied	6,195	4,685	5,426	2,643	2,226	3,134
Abstracted	-	-	-	-	-	-
Financial indicators (£000)						
Water supply costs ¹	16.8	12.5	12.8	10.0	14.4	11.1

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 National Audit Office and tenant full-time equivalent).
- 3 Newcastle office data: As in London, water is metered into the building but not on to the office floor. For this office, consumption is calculated as a percentage of occupied space.

Source: National Audit Office



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