



National Audit Office

Annual Report and Accounts 2023-24

23 JULY 2024
HC 130



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 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion.



National Audit Office

Annual Report and Accounts 2023-24

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 23 July 2024

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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


28 June 2024


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2023-24 highlights of the year

“What motivates us is knowing that we make a difference, and so our twin duties of holding government to account and showing how things could be done better are our guiding principles.”

Dame Fiona Reynolds, National Audit Office (NAO) Chair



Supporting Parliament to hold government to account

416 **60%**

audit certifications published (10 more than in 2022-23)

of audits certified before the summer Parliamentary recess (53% in 2022)

64



value-for-money and wider assurance reports published to help Parliament to hold government to account and to help government to improve (two more than in 2022-23)



56

Committee of Public Accounts sessions supported, usually twice a week when Parliament is in session

13

departmental overviews published to assist Parliamentary select committees in their work (three more than in 2022-23)

94%

of MPs say we are effective at supporting Parliament to hold government to account and scrutinise public services (no change on last year)

Providing an independent voice

98%



of senior officials from the bodies we audit say that the NAO is independent, and 89% say we are authoritative (97% and 87% respectively in 2022)



“Our mission to help Parliament hold government to account for how it spends taxpayers’ money remains clear and vital. We are determined to maximise our relevance and impact in the coming years.”

Gareth Davies, Comptroller and Auditor General and Head of the NAO



Helping government improve

10



good practice guides and 6 lessons learned reports published addressing cross-government challenges (11 and one respectively in 2022-23)

95%

of our recommendations to government accepted or partially accepted (compared with 91% in 2022-23)

73%

of senior officials in the bodies we audit agree that our work leads to better outcomes (70% in 2022-23)

Making a difference

£17:1



Our work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion, £17 for every £1 we spend (target of £10 for every £1 spent)



Performance report



Performance overview

This overview describes who we are and what we do, our values and strategy and summarises our performance in 2023-24. It begins with statements from our Chair and the Head of the National Audit Office (NAO), the Comptroller and Auditor General (C&AG).

Chair's statement



We publish this Annual Report as the new Parliament begins its work. We are, coincidentally, also nearing the completion of our strategy review so it's a timely moment to reflect on our core

purpose and how we can best help government achieve effective management of public finances and deliver value for money. As the C&AG pointed out in his second annual speech in Parliament in January this year, there are tens of billions of pounds potentially available for much-needed investment if lessons are learned about poor implementation of major projects, poor management and control of budgets, and better leadership and governance of complex programmes.

The NAO has two main roles. The first, for which we are best known, is to hold central government to account for national public expenditure. This requires us to audit the accounts of central government and its subsidiaries, and to carry out value for money studies to assess whether policies, projects and programmes are achieving the government's aims. The reports we produce are widely read and form the basis of important and constructive sessions of Parliament's Committee of Public Accounts (PAC).

This report charts how we fulfilled this duty last year, in the context of the cost of living challenges, high inflation and many other pressures. We made further progress in getting audit timetables back on track post COVID, and our 64 value-for-money (VFM) reports to Parliament shone the NAO light of scrutiny on many important aspects of public policy implementation.

That brings me to our second duty which is to help government do better, pointing out practical and useful opportunities for doing so. For if we are truly to achieve impact and help build trust in the way public money is spent, it's not enough simply to point out what has gone wrong. We need to help build capability and confidence in central government that money can be spent wisely and well, and to demonstrate to the public where and how this is happening.

Under our current strategy we have steadily built up our second duty. Our cross-cutting Insights teams and VFM teams have produced more departmental overviews, lessons learned reports and thematic studies which bring rich insights and clear recommendations about how to do things better. So, as we finalise our new strategy, charting the right balance between these two duties is uppermost in my mind. We are expected to hold government to account, but unless we also help it to build capability to do things better, we will be leaving too much to chance. Our goal is impact.

This year has also been a time of internal focus and change. Our Audit Transformation Programme (ATP) is now well in train, introducing new systems and ways of working to address the increasing complexity and demands of the modern audit process. But the improvements it is designed to bring about have not kicked in fast enough to avoid a fall in our audit quality scores, so there is a huge effort internally to bring about necessary improvements. The report of our advisory Audit Quality Board (page 75) refers to the Quality First Plan that Gareth and his team have developed in response. This will be a major focus for us in the next few years.

We have also seen some changes in people. Catherine Hope-MacLellan joined the Executive Team as our first Chief People Officer in June 2023. In January 2024 we were delighted to welcome Hetan Shah, Chief Executive of the British Academy, to join the Board as a non-executive director following a public recruitment process and a hearing by the Public Accounts Commission (TPAC). Hetan is a data expert with extensive experience of working with and around government and brings a wealth of expertise to our Board. Hetan's arrival coincided with us saying a sad farewell to Dame Clare Tickell, an invaluable non-executive member of our Board for six years. Her contributions were always fascinating and insightful, and we will miss her.

I am honoured that my term as Chair of the Board was renewed for a second and final three years by HM The King; and similarly, that Gaenor Bagley and Sir Martin Donnelly's terms as non-executive board members were renewed by TPAC. As TPAC saw at their hearing, both make excellent contributions to the Board and work hard for the NAO. Alistair Conner has completed his first year as non-executive board member and among other things has provided helpful assistance to the ATP team.

Challenges are never in short supply in the NAO, where we have set ourselves very demanding ambitions. We have worked hard to address issues like pay (where we fell worryingly behind the private sector for a while) and the pressures caused by our varied and demanding work programme. Our Performance report shows a year of real progress but there is more to do.

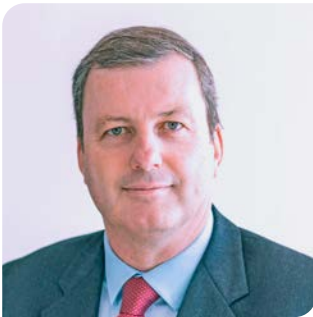
All this work takes effort, commitment and collaboration, and we are fortunate to see that right across the Office. My warmest thanks go to our board members, Gareth, the Executive Team and all our staff for their hard work and dedication. This is also my opportunity to recognise TPAC and PAC with whom we work closely, and to thank its members during the last Parliament for their support, challenge and engagement with us.

What motivates us is making a difference, and so our twin duties of holding government to account and showing how things could be done better are our guiding principles. Underlying all our work is a passionate commitment to building trust in the way public money is spent. This is how we will deliver impact, and that is what we are here to do.

Dame Fiona Reynolds, Chair



Comptroller and Auditor General's statement



I am pleased to report another year of significant audit impact across a wide range of public spending. In 2023-24, NAO teams delivered important assessments of large government

programmes, including the New Hospitals Programme, HS2 Euston, and the Shared Rural Network for UK-wide mobile connectivity. Our focus on the UK's resilience saw us report on school building maintenance, flood protection, government's response to the increasing risks posed by extreme weather, the replacement of high-containment laboratories for dangerous pathogens, and defence inventory management.

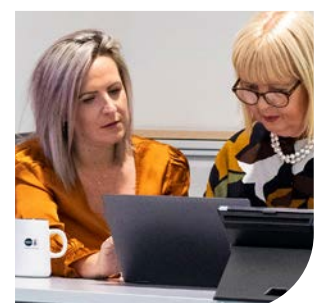
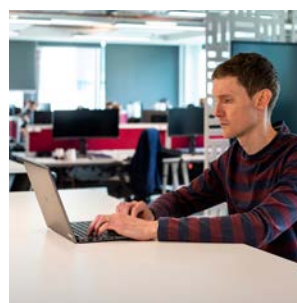
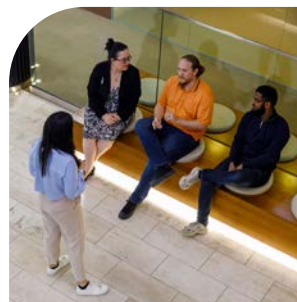
We continued to deliver on our strategic commitment to extract the wider lessons from our work and make them accessible to Parliament and public service practitioners. In 2023-24 we added six topics to our growing library of lessons learned reports, including delivering value from government investment in major projects, whistleblowing in the civil service, competition in public procurement, and protecting propriety in government spending in an emergency.

The House of Commons Committee of Public Accounts (PAC) continued to make use of our reports to hold government to account and promote improvement in the use of public money. We supported 56 hearings of the Committee in 2023-24 and provided evidence and support to numerous other select committees of both Houses of Parliament. It is encouraging to see the continuing high levels of confidence in the relevance and quality of the NAO's work expressed by parliamentarians in our latest survey.

In January 2024, I drew together the evidence from our work on value for money in my annual speech in Parliament. Recognising the demand pressures and resource constraints facing government, I identified five areas where there is more to do to secure maximum value from current levels of spending: major projects; asset management; competitive procurement; digital transformation; and fraud and evasion. I explained what the NAO's work shows to be the barriers to progress on efficiency and what might be done about them to free up tens of billions of pounds a year for government's priorities. I am encouraged that government bodies are responding to this challenge.

Our focus on impact has been greatly assisted by our strengthened system for tracking the implementation of NAO recommendations, transparently reported on our website. I am pleased to note an increase in the measurable financial impacts generated by those recommendations, £17 for every £1 of our expenditure in 2023-24, alongside many other improvements in control and performance.

In our financial audit work, our audits of government's 2022-23 accounts used our new risk assessment methodology designed to comply with the revised auditing standard ISA 315. We also increased the transparency of the audit process by issuing extended audit reports to all government departments for the first time, having successfully piloted this approach on a selection of audits in previous years. These reports provide much richer insight into the work done by the audit team in addressing key audit matters.





We made a further step towards restoring the pre-pandemic audit timetable, increasing the proportion of audits certified by the parliamentary summer recess from 53% in 2022 to 60% in 2023. We will continue to bring more audits forward without any compromise on quality.

We reached a significant milestone in late 2023 with the rollout of our new audit software platform, Apex, on time and on budget. Following piloting and testing, the new software is being used on all our 2023-24 audits. It is designed to support high-quality audit work through guided workflow and integration of data analytics. We will be focusing on realising the full benefits of this investment in the coming years, including reliable compliance with auditing standards, greater use of data analytics, and new insights for management and audit committees.

“It is encouraging to see the continuing high levels of confidence in the relevance and quality of the NAO’s work expressed by parliamentarians in our latest survey.”

The need for this investment was highlighted by the Financial Reporting Council’s inspections of our 2021-22 audits, which identified a range of improvements required. As well as ensuring we realise the benefits of our new methodology and audit platform, we have brought all our audit improvement activity together into a single Quality First Plan and strengthened the management arrangements for our audit service line. Audit quality is the top priority for me, the NAO Board and the whole organisation. Our plan recognises that quality is the product of a whole-system approach encompassing leadership and culture, team effectiveness, learning and development, technical expertise and resources. It sets out significant improvements to our learning and development programme for auditors and an overhaul of our approach to engagement and communication with audited bodies. We are also strengthening our work with the audit and risk committees (ARACs) of the organisations we audit, reflecting the shared interest we have in high-quality annual reporting across the public sector. In February 2024, we held a seminar for ARAC chairs which included a focus on developments in financial reporting.

2024-25 is the final year of our current five-year strategy. We are therefore consulting widely with our stakeholders on our next strategy, which will cover the period 2025 to 2030. Our mission to help Parliament hold government to account for how it spends taxpayers’ money remains clear and vital. We are determined to maximise our relevance and impact in the coming years, and our strategy will set out how we plan to do that. We look forward to sharing our work with the new Parliament and to supporting the new PAC chair and members. I’d also like to thank Dame Meg Hillier and Richard Bacon for their long service as PAC members and as highly effective chairs respectively of PAC and the Public Accounts Commission.

Our achievements in 2023-24 are of course down to the commitment and professionalism of the NAO’s dedicated staff and the leadership of my Executive Team and director colleagues. I’m also hugely grateful to Dame Fiona Reynolds and her non-executive board colleagues for their insight, challenge and support to help us maximise our impact in the public interest.

Gareth Davies
Comptroller and Auditor General

About the NAO

Who we are and what we do

The National Audit Office (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 audits of government departments and their public bodies. The Public Accounts Commission, a parliamentary committee of Members of Parliament (MPs), oversees our work. We are independent of the bodies we audit in government and the civil service (**Figure 1**).

The Comptroller and Auditor General

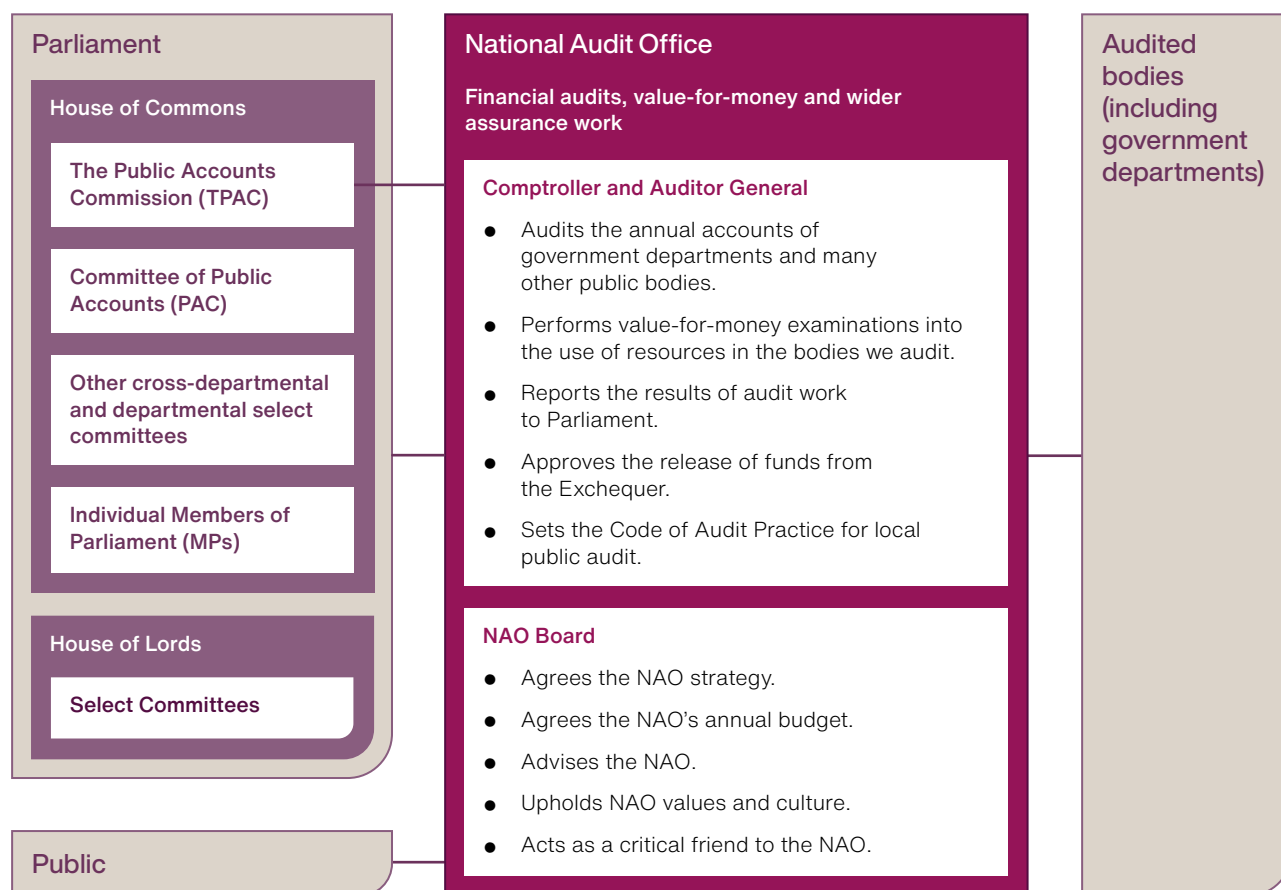
The C&AG, Gareth Davies, leads the NAO. He is an officer of the House of Commons with statutory authority to:

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

Figure 1

How the National Audit Office (NAO) worked in 2023-24

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

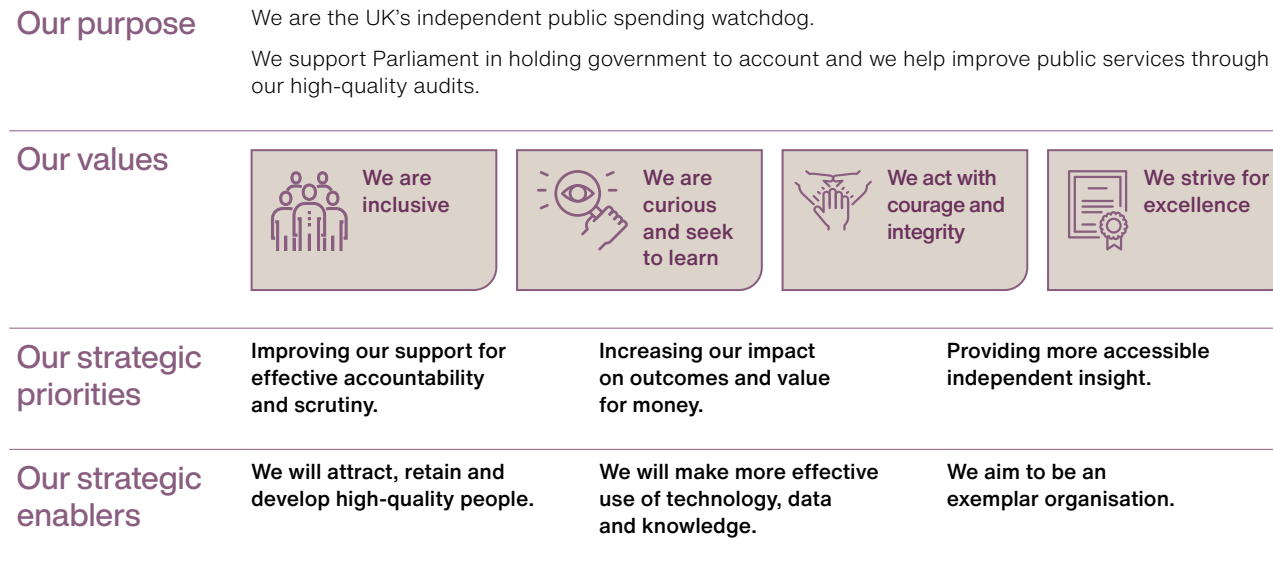


Source: National Audit Office analysis of organisational structure documents

Our values and our strategy

Figure 2 shows our purpose and values and the six priorities and enablers that make up our current strategy.¹

Figure 2
National Audit Office (NAO) strategy, 2020 to 2025



Notes

- Our strategic enablers support all our strategic priorities.
- Our detailed strategy is available at: www.nao.org.uk/about-us/our-strategy

Source: National Audit Office



¹ For more information, see our annual update for the Public Accounts Commission, *NAO strategy: Progress update and estimate memorandum for 2024-25*.

Our progress in 2023-24

We assess progress in implementing our strategy through a performance framework, using a range of indicators and targets organised by our six strategic priorities and enablers.² Our performance for 2023-24 is shown below, and we give more detail in the performance analysis section from page 20.

We performed strongly in delivering our audits in 2023-24, with our 965 staff issuing 416 certifications and publishing 64 value-for-money (VFM) and wider assurance reports to Parliament, meeting our targets. We made good progress in our work to restore the timeliness of audit certifications to pre-pandemic levels but want to go much further. We have more to do to ensure that the quality of our financial audit work consistently meets increasing regulatory standards. Our new Quality First Plan from April 2024 will help us achieve this. We are also investing in our audit technology to automate and standardise our audit work to improve quality.

This year was challenging for the central government bodies we audit. The residual pressures of the COVID-19 pandemic were made worse by higher inflation, increased borrowing costs and difficult industrial relations. These factors coincided with long-term challenges of increasing demand in public services, the need to build resilience and work towards net zero; and opportunities from digital technologies and artificial intelligence (AI). This context provided the backdrop for our programme of VFM and wider assurance work in 2023-24 and informs our view of where we need to build our own capability, in areas such as sustainability reporting and fraud and propriety.

Our strategic priority is for our work to lead to better outcomes and improved value for money. In 2023, we reported £17 of financial impacts resulting from our work for every £1 we spent, exceeding our target. The C&AG's annual speech in Parliament in January 2024 also provided a valuable opportunity to communicate our insights to Parliamentarians and officials in government. Summarising lessons from our work, it showed the potential for improvements in productivity that government can make through better managed major projects, asset management, use of competition in procurement, digital transformation, and reduced fraud and evasion, themes that we refer to in case study accounts of our work in the performance analysis section below.

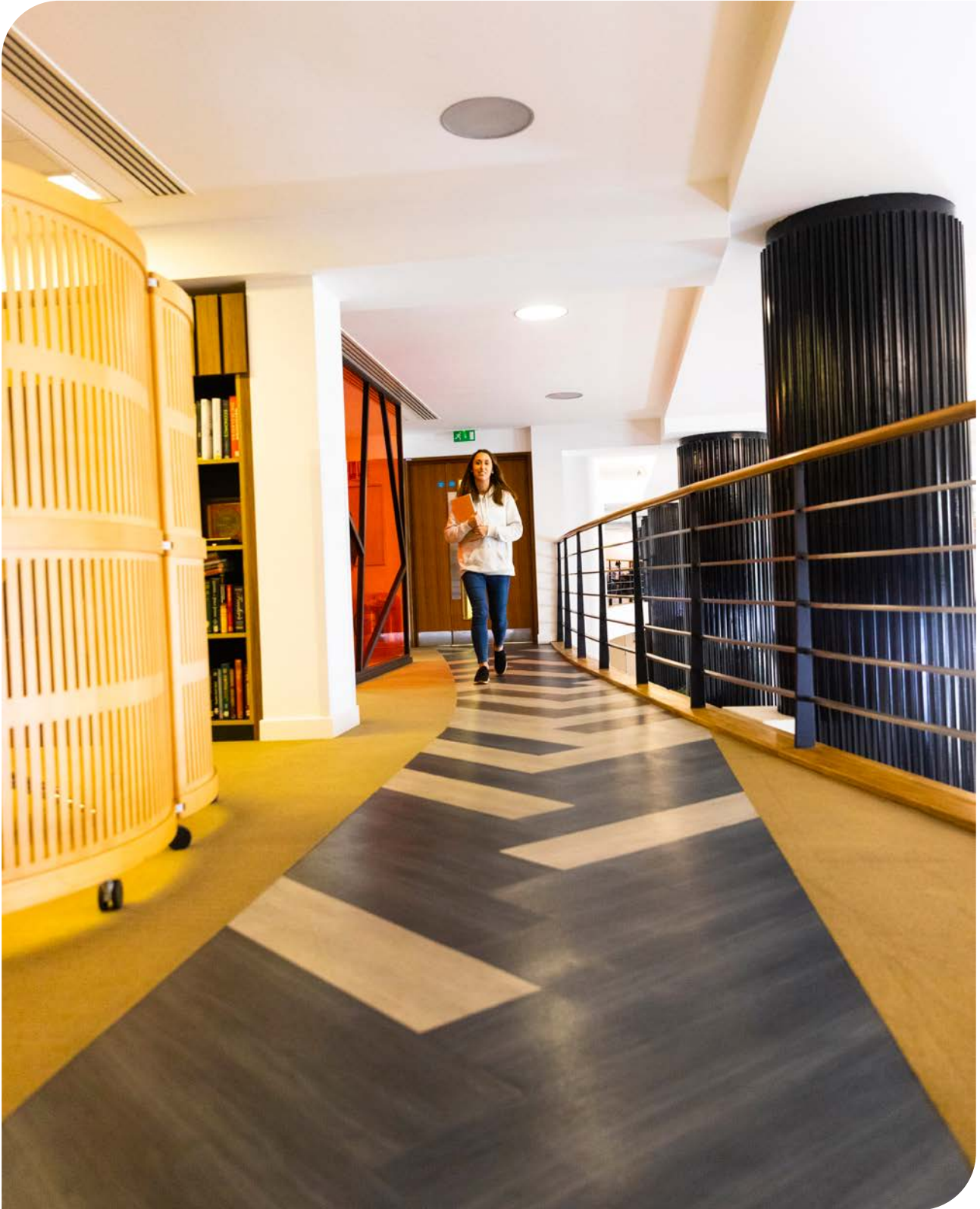
Our success depends on having teams with the right skills, motivation, diverse characteristics and capabilities to perform consistently well. We experienced welcome improvements in many of our people performance indicators in 2023-24, but levels of sickness absence remain higher than we would like. We are providing additional management training and support in response. Our ethnicity pay gap has increased and is further away from our target because we have recently recruited a larger proportion of ethnic minority trainees. Our focus now is on helping more of our experienced ethnic minority colleagues to progress to senior management grades.

We are investing in critical business support functions such as digital, information security and technology, balancing this with our aim to keep most of our funding allocated to front-line audit teams. Our need to invest in these functions reflects a growing cyber risk but we continue to achieve high levels of operational efficiency and are making steady progress in our work to be net zero carbon in our estate by 2029.

Our next strategy

The financial and wider context for government departments and their public bodies, alongside changes in the audit profession and its regulation, sets a demanding agenda for the NAO in supporting Parliament's scrutiny of how the government's policy objectives are being implemented. We are considering these issues as part of our current strategic review in preparation for a new five-year strategy from April 2025.

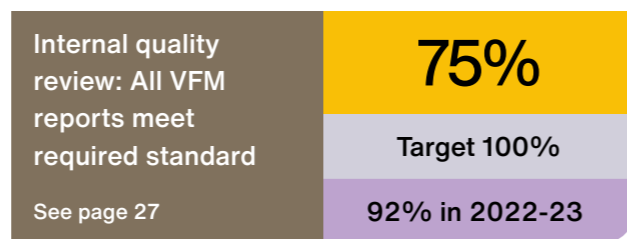
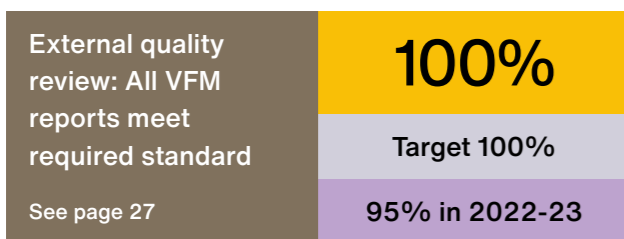
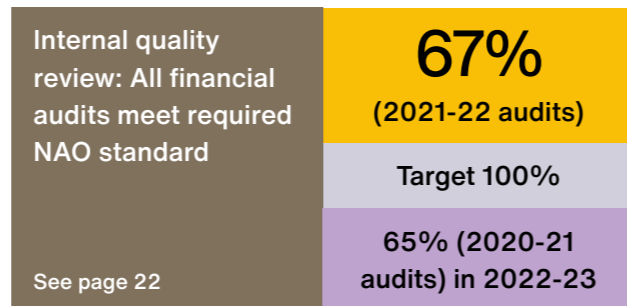
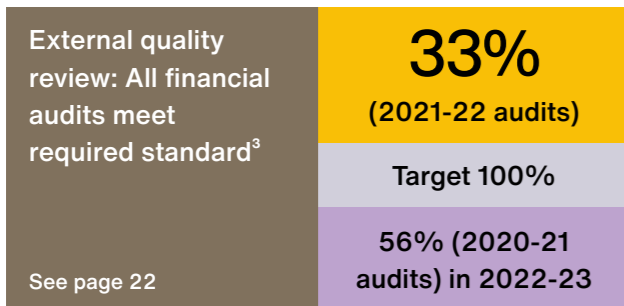
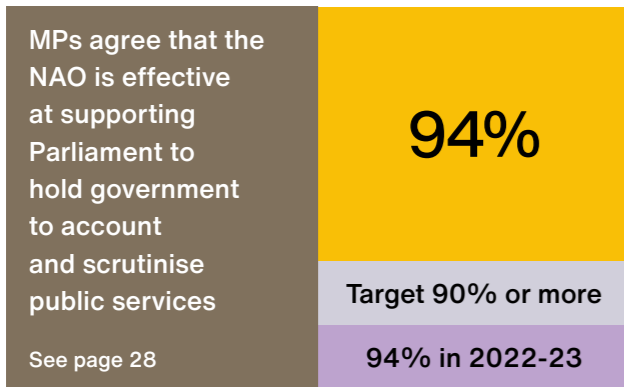
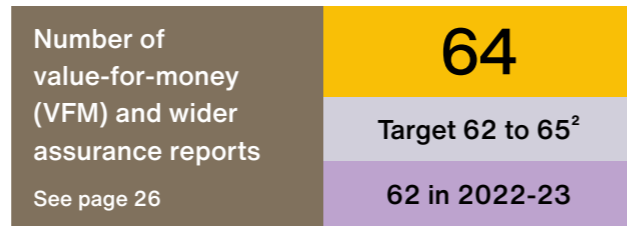
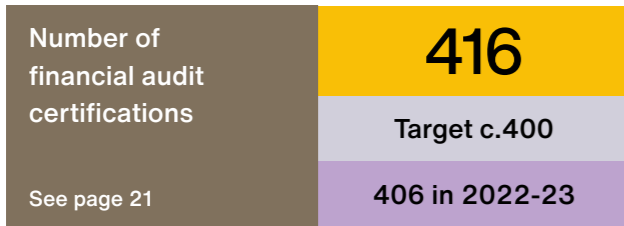
² See the performance framework for 2023-24 in: National Audit Office, [NAO strategy: Progress update and estimate memorandum for 2023-24](#), February 2023.



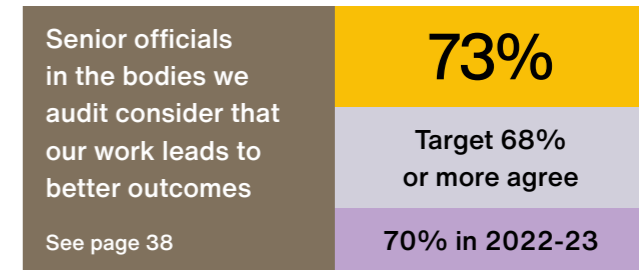
Performance measurement framework

National Audit Office (NAO) progress against our key performance indicators for 2023-24¹

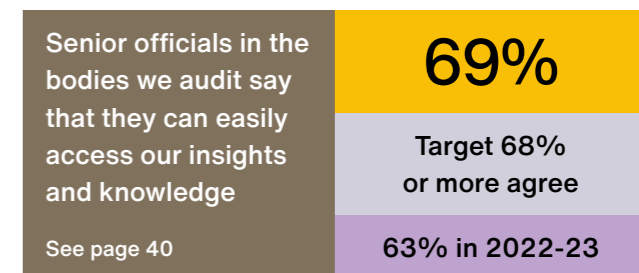
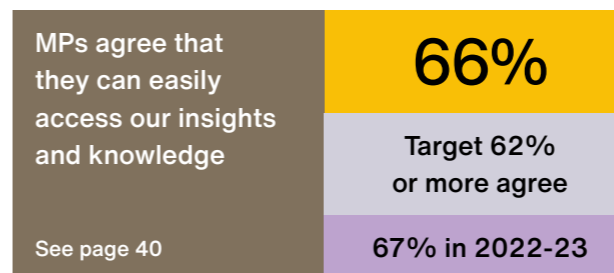
Strategic priority: We support effective accountability and scrutiny



Strategic priority: Our work leads to better outcomes and value for money



Strategic priority: We provide accessible insight⁴



“I think [the NAO’s] main strength is their professionalism in undertaking their work of scrutinising government accounts, and they provide and prepare impeccable briefing reports that I believe make an important contribution in terms of transparency of government.” MP, Ipsos survey 2023-24



Performance measurement framework *continued*

National Audit Office (NAO) progress against our key performance indicators for 2023-24¹



Strategic enabler: We will attract, retain and develop high-quality people

People engagement score is high ⁵ See page 44	6.8	"I will always, always, always, be deeply impressed by the ability of the NAO team to maintain their integrity at all times and be prepared to stop and push back on things that aren't quite as they should be." Finance Director, audited body
	Target 7.5 or more (out of 10) 6.5 in 2022-23	
Gender pay gap reducing See page 49	4.4%	Ethnic minority pay gap reducing See page 50
	Target 5% or less 6.4% in 2022-23	
	15.4%	
	Target 9% or less 14.5% in 2022-23	



Strategic enabler: We make effective use of technology, data and knowledge

Our people say they have the right technology and tools to do their work See page 51	7.5	Our people say they can find the information they need to do their work effectively See page 53
	Target 8 or more (out of 10) 7.6 in 2022-23	
	6.8	
	Target 7.2 or more (out of 10) 6.8 in 2022-23	

Notes

- The Accountability report (page 64) identifies the top risks currently to achieving our strategic and enabling priorities and summarises what we are doing to manage these to within tolerable levels.
- Increased from a minimum of 60 reports to 62 as part of our supplementary estimate for 2023-24.
- Financial audits assessed to be in the top two Financial Reporting Council (FRC) audit quality review categories.

Source: National Audit Office analysis of performance measurement data



Strategic enabler: We are an exemplar organisation

Driving efficiency by maximising expenditure on front-line audit and assurance work: Ratio of front-line to back-office spending See page 56	84%	Reduce the quantity (tonnes) of carbon emissions from our estate See page 58
	Target 80% or more of expenditure on front-line audit work 84% in 2022-23	
	738	
	Target 880 tonnes or less 749 in 2022-23	



- We also assess our media impact using a composite measure of indicators. We have not measured this in 2023-24 because of supplier changes and technical difficulties providing this data. We aim to measure media performance again in 2024-25.
- See Figure 3 (page 46) for more detail on the NAO's People Survey results.



Performance analysis

The performance analysis section describes in more detail our progress against our six strategic priorities and enablers.

Effective accountability and scrutiny

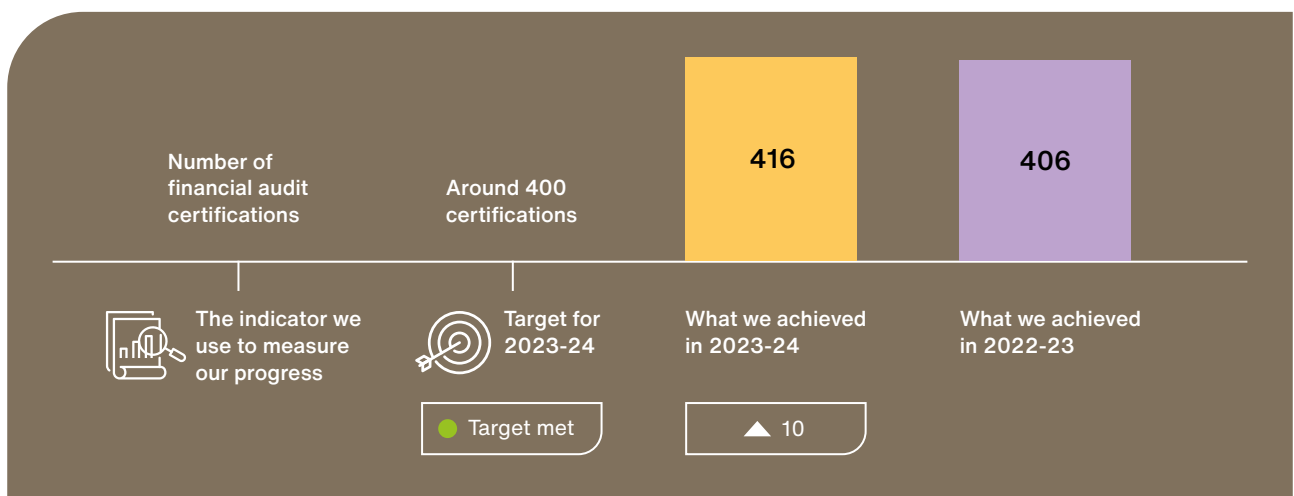
This section is an overview of progress we have made on our strategic priority to improve our support for effective accountability and scrutiny.

Our objective is to support Parliament in holding government to account for how it spends taxpayers' money. Our success depends on our performance in delivering a comprehensive, timely and relevant programme of financial audit, value-for-money (VFM) and wider assurance work, achieving high-quality audits and meeting the expectations of Members of Parliament (MPs).



Financial audit

We provide an independent audit opinion on more than 400 accounts across the public sector. Our financial audit is conducted in line with international standards and provides assurance to Parliament and other stakeholders that the financial statements of these public bodies are true and fair. We also give a regularity opinion on most of our audits. This provides assurance that income and expenditure have been used for the purposes intended by Parliament. In 2023-24, we published extended audit reports for all government departments, giving more information to Parliament and the public and increasing transparency.



Case study

Ministry of Defence extended audit report



In 2023-24, for the first time, the Comptroller and Auditor General (C&AG) issued an extended audit report for all the main government departments, providing greater detail on the matters which were of most significance in his audit of the 2022-23 financial statements, including the application of materiality, the level of identified unadjusted audit differences and the scope of the audit and procedures performed.

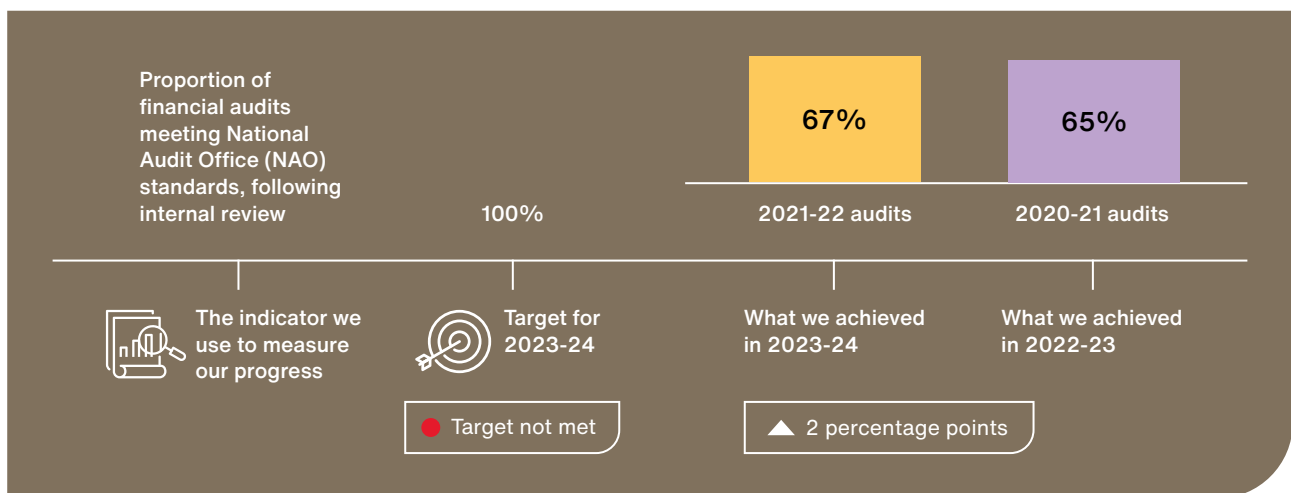
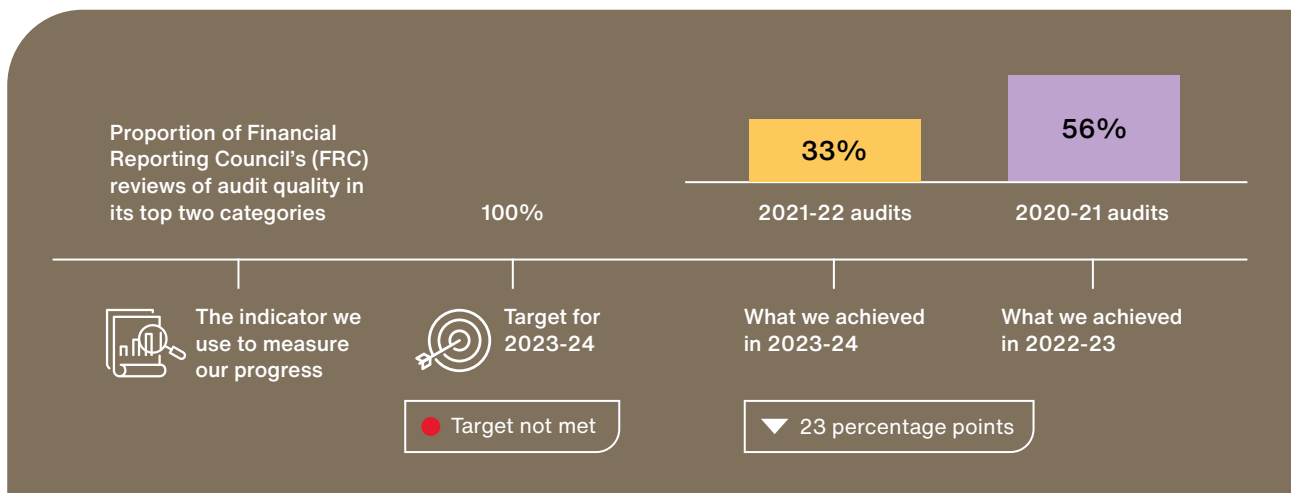
His report on the Ministry of Defence (MoD) Resource Account detailed the department's approach to valuing its provisions for nuclear decommissioning activity as well as its implementation of the new accounting standard for leases, which ultimately led to the C&AG removing his long-standing qualification on the MoD's accounts. In doing so, the report explained these complex issues and their associated risks and audit responses in a manner that was easy for a reader of the accounts to understand, while taking care not to introduce additional or sensitive information that the department had not included itself.

Financial audit quality

Financial reporting and auditing standards have been strengthened in recent years in response to high-profile corporate failures. This has led to greater complexity in the accounts of many of the organisations we audit.

Our priority is to meet international auditing standards, but external and internal reviews completed in 2023-24 of our 2021-22 audits show that we are not doing this for every audit. To do so, we need to:

- achieve greater consistency in more complex audits, also refining audit procedures in areas such as harder-to-value assets and liabilities;
- strengthen our challenge of management judgements and estimates, testing of journal entries and audit of revenue;
- further enhance our internal quality review and application of the Revised Ethical Standard 2019 relating to audit engagements; and
- refine our project management approach, engaging audited bodies fully in our delivery plans.



In 2023-24, we made the following progress:

- Introduced a new management system and reviewed our policies and procedures in areas such as audit quality risk assessment and engagement quality reviews.³
- Streamlined and strengthened the governance and management of our financial audit service line.
- Continued our Audit Transformation Programme (ATP) to make sure our audit methodology is up to date and in line with increasing professional standards.
- Started using our new audit management software (Apex) which standardises and automates audit processes, increasing quality and efficiency.
- Worked with our audit teams on the cultural factors that contribute to audit quality by doing regular root cause analysis to learn from outstanding risks to quality, by providing targeted training and by increasing the technical support available to audit teams.
- Expanded our use of analytics tools which help us to extract data from audited bodies' accounting systems and select and test financial transactions.
- Continued to invest in our centres of expertise and specialist teams in areas such as pensions, property, fraud and propriety, IT audit, and financial instruments.
- Provided additional project management training to colleagues to support improvements in the way we deliver our audits.



There is much more for us to do, however, and, from 2024-25, we are implementing a new Quality First Plan to achieve further, system-wide, improvement and meet the challenge of an increasing quality bar for audit. Setting ourselves up for success requires a strong 'Quality First' culture, mindset and environment, where quality is built into all we do – the work we do, the decisions we make and the behaviours we exhibit internally and externally. To support this, the Plan places a much stronger emphasis than previously on people, mindset and culture. Our forthcoming Transparency Report 2023-24 will describe the improvement steps that we are taking in more detail and will summarise the outcome of internal and external inspection programmes for our 2022-23 financial audit cycle.

Case study

New Quality First Plan



We launched our new Quality First Plan in April 2024 to implement changes to achieve high-quality audit, every time, delivered with pride by our people and valued by our stakeholders. The Plan builds

on our previous annual quality plans and the investment we have made in our new methodology and audit software platform. It will embed quality fully into our organisational DNA, fostering "people-led" innovation and supporting continuous learning and improvement. We are aiming for a quality first culture: one where we recognise that high quality is dependent on us having engaged, skilled people and high-performing teams.

The Plan goes further than previous plans in ensuring that our culture, team management, learning and development, and resourcing support high-quality audit work. It sets out significant improvements to our learning and development programme for auditors and an overhaul of our approach to engagement and communication with audited bodies. It also introduces a new quality support model for our audit teams, strengthens project management and operational delivery, and sharpens our internal quality review and assurance processes.

³ In line with International Standard on Quality Management (ISQM) 1 and ISQM 2.

Wider impact



Lower error and fraud in Research and Development tax reliefs for Corporation Tax

What we did

Our 2020 report *The management of tax expenditures* found the actual value claimed under Research and Development (R&D) tax reliefs differed significantly from what had been forecast. We investigated this further in our financial audit work and found a significant risk of fraud. Acting on our recommendation, HM Revenue and Customs (HMRC) undertook a programme of work to determine likely levels of fraud and found that estimated error and fraud within Corporation Tax R&D reliefs was worth £311 million or 3.6% of related expenditure in 2019-20. We qualified HMRC's accounts on this basis and made a series of recommendations in our Management Letter to HMRC in January 2021.

Impact and Outcome

HMRC accepted our recommendations and took various actions, including:

- a robust assessment of the risks that led to fraudulent or erroneous claims;
- improving the risk assessment process for claims made by taxpayers; and
- introducing controls to address the risks identified, including the development of a random enquiry programme to better estimate the levels of fraud and error.

This led to a significant reduction in error and fraud, contributing to significant financial impacts, including an impact in 2023 which we valued at £37 million (see page 125). Our ongoing work with HMRC on R&D tax reliefs was also an important factor in the NAO's HMRC team winning the Public Finance Award for 'Excellence in Public Sector Audit'.

Reporting timeliness

For the financial statements of public bodies to be useful to those who take assurance from them, including Parliament, it is important that they are audited and published as soon as possible after the financial year-end. We measure this by the number of audited accounts that are published before the summer Parliamentary recess in July. In 2023, 60% of the bodies we audit published their accounts before the summer recess. This is an increase from 53% in 2022 but still below the 78% achieved in 2019 before the pandemic.

Contracting out audits

We contract out around 20% of our financial audit work to private sector audit firms. We also contract with firms to provide specialist advice relating to our audits on topics such as complex financial instruments and property valuations. In December 2023, the NAO Board agreed that we should reduce the level of outsourced financial audit work because of increased costs. We will take a balanced and incremental approach to these changes and will continue to work with audit firms to secure their specialist audit expertise, gain insights and benchmark our performance. We expect this approach to save money and reduce our exposure to future fee increases from the firms. Our plans for 2024-25 and beyond assume a higher level of recruitment to carry out more audit work in-house.

Government department changes

In 2023-24 we began auditing the new Departments for Energy Security and Net Zero, for Science, Innovation and Technology, and for Business and Trade created by a government restructure in February 2023. The changes mean that we are auditing three departments instead of two. We are also auditing the transfer of spending from the old to the new and are doing more transaction testing because the thresholds for determining whether expenditure is material to the published accounts of the new departments are lower. Alongside these changes, our audit portfolio also grew in 2023-24 as we took on responsibility for the audit of bodies such as Pool Reinsurance and some nuclear site licence companies.

Case study

Bringing more of our audits to a pre-recess timetable



Like others, the English Heritage audit was severely impacted by the pandemic and the 2021-22 audit was delivered after the Parliamentary summer recess. In 2022-23, we worked

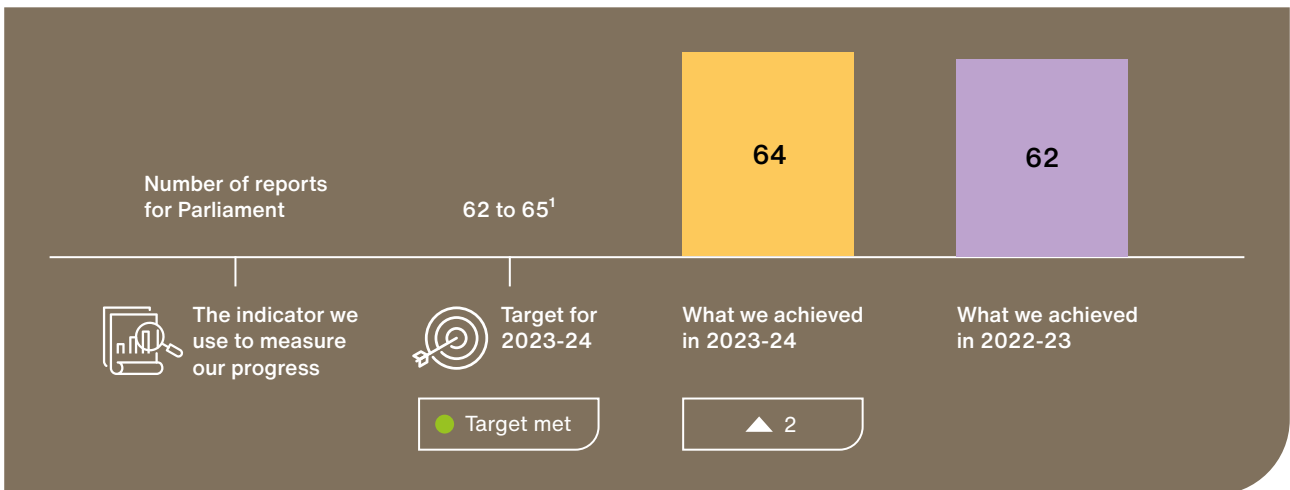
closely with the English Heritage management team to implement a structured plan to return to a pre-recess timetable.

We took a continuous auditing approach by testing and reviewing in and outside our normal peak audit phases. The English Heritage management team ensured that key audit requirements were understood and delivered to timescales and client contacts were made available to help address our questions. We gave detailed and regular updates to senior management and the Audit and Risk Committee.

As a result, the audit was delivered four months earlier and before the summer recess in 2022-23, with English Heritage valuing our collaborative and proactive approach.



VFM and wider support to Parliament



Note

¹ Increased from a minimum of 60 to 62 reports as part of our supplementary estimate for 2023-24.

VFM work

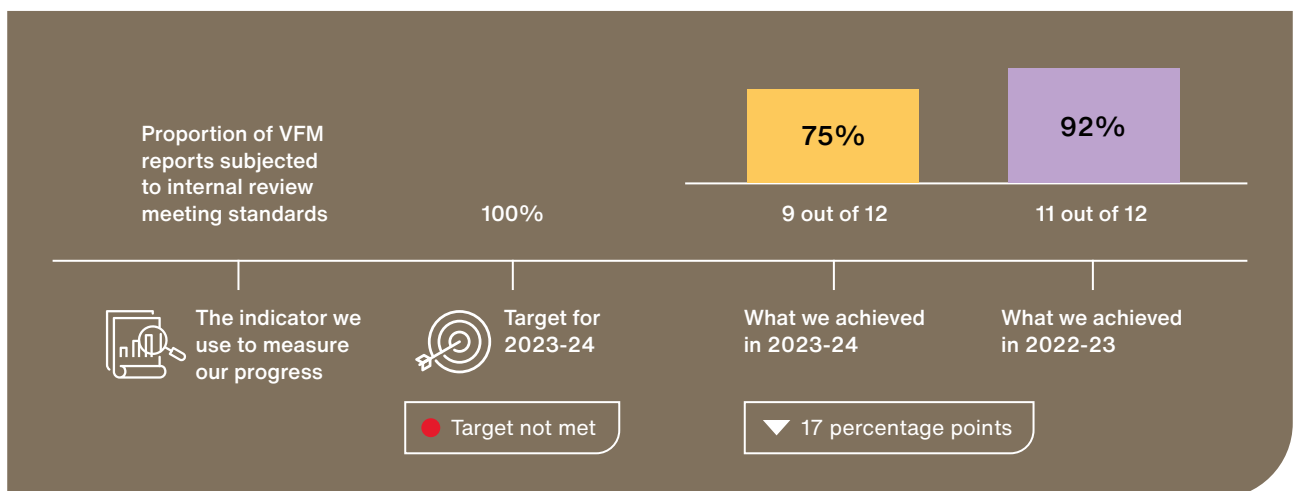
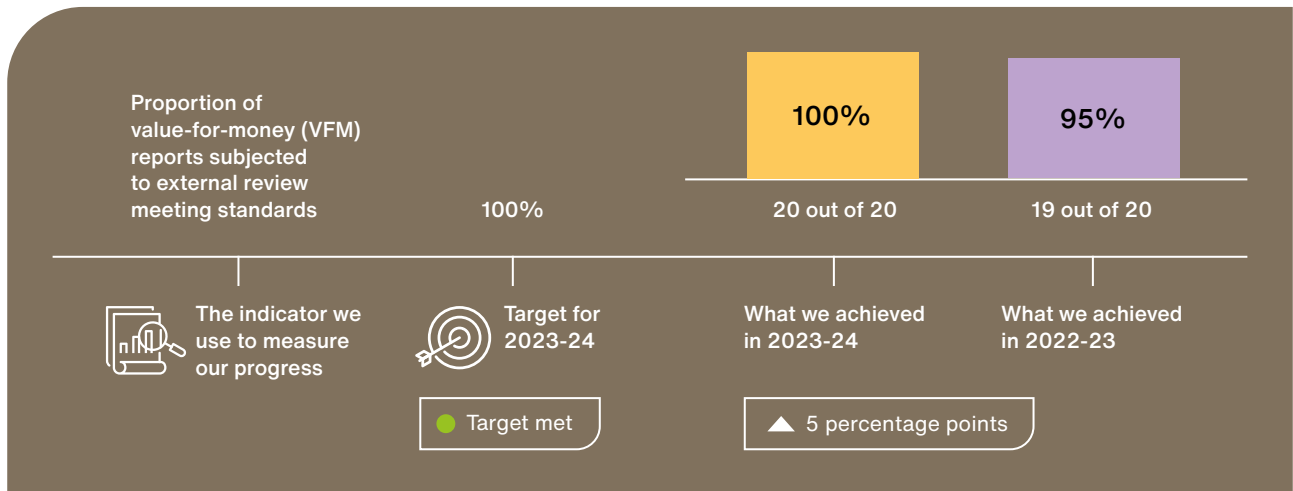
We support Parliament in holding government to account through our VFM and wider assurance reports. In 2023-24, we published 64 reports, two more than last year, including investigations and lessons learned reports.

VFM quality

We expect all of our VFM work to meet high standards, to be relevant, accurate, accessible and focused on outcomes. We invite external experts to conduct independent reviews of our published work to assess the strength of the methods and evidence used, and robustness and clarity of the findings and conclusions presented. All 20 reports assessed in 2023-24 met or exceeded expected standards. The reviewers also suggested helpful areas for further improvement which we will incorporate into our plans.

We also conduct annual internal quality reviews of our work to see whether study teams are following our quality management process, designed to ensure we consistently meet our standards and to identify learning and best practice. In 2023-24, we reviewed 12 reports, and found nine of these fully met our standards. We rated three reports as 'areas for improvement' as not all controls procedures were fully followed. In each case, we assessed that the overall evidence and conclusions in the final report were not affected.

We identified good practice across many of the audits reviewed, including on how risks to quality are managed and sensitive data processed. In 2023-24, we provided new learning modules to all of our VFM audit colleagues as part of an updated programme of learning and support to help ensure that we consistently meet our standards. Our forthcoming Transparency Report will also provide more details on our approach to quality in our VFM work.

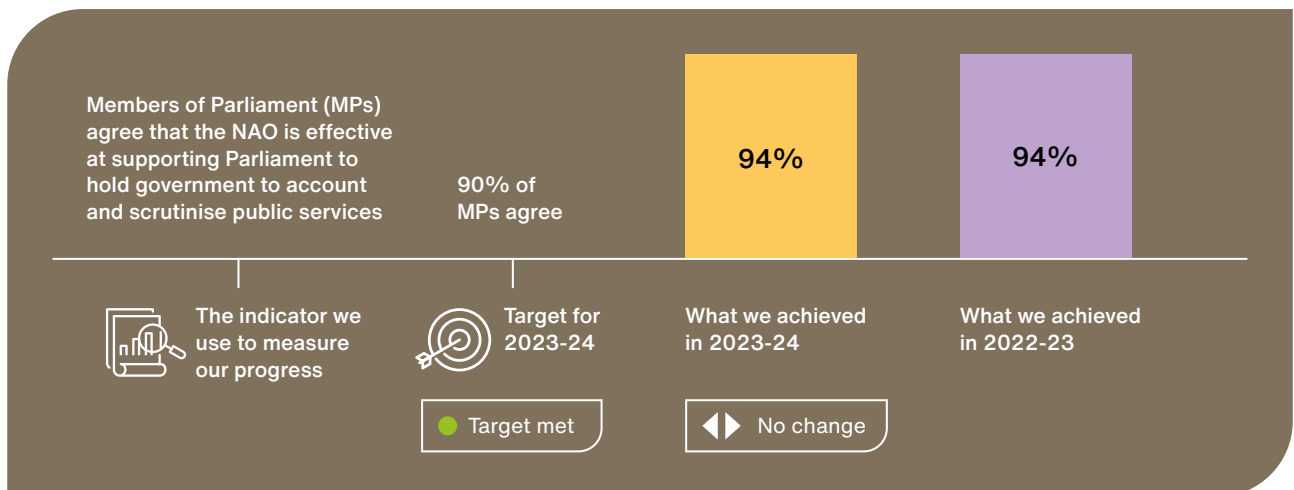


Support for Parliament

In 2023-24, we used our audit findings to support 56 Committee of Public Accounts (PAC) Parliamentary evidence sessions examining the value for money of Government projects, programmes and service delivery, around two sessions a week when Parliament was sitting. We briefed and assisted other Parliamentary select committees in their scrutiny of government, publishing 13 departmental overviews and having 10 of our colleagues work with committees, the House of Commons Scrutiny Unit, and other teams under secondment arrangements. We participated in public evidence sessions held by select committees in both Houses of Parliament and our work was referenced an average 6.6 times per Parliament sitting day in 2023-24, two more times per day than in 2022-23.

Our annual survey of MPs shows a fall in the proportion saying that they know at least a fair amount about the NAO from 78% in 2022-23 to 68% in 2023-24. We expect to see some variation year to year and the proportion of MPs having at least a little knowledge of our role has remained stable. Nevertheless, sharing our work with MPs continues to be a priority for us, especially given the new Parliament. Of those MPs who knew at least a little about the NAO, 94% said that we are effective in supporting Parliament to hold government to account and scrutinise public services.

A clear majority of MPs (69%) continued to have a favourable opinion about the NAO (2022-23: 69%) and 61% would speak highly of us (2022-23: 55%). We are pleased that most MPs rated us above average for acting impartially and independently (86%), for being authoritative (92%) and for influencing beneficial change (77%).⁴



⁴ The annual survey of MPs is conducted on our behalf by Ipsos (Ipsos Syndicated Stakeholder Surveys, Members of Parliament – Winter 2023). The 2023-24 survey contacted 491 MPs, and 122 were interviewed with 98 answering the NAO's questions (versioning controls are used). Interviews were conducted between November 2023 and January 2024.

Our international work

We have regular engagement with our colleagues in other international public audit organisations, known as Supreme Audit Institutions (SAIs).⁵ While a relatively small component of our overall work, our overseas engagements give us new insights and knowledge, and promote transparency by:

- bringing global perspectives and access to comparative data to inform our UK work, providing insights into how different countries tackle relevant issues, such as climate change, sustainable development and national disaster preparedness and response;
- sharing knowledge and importing good practice, on data analytics, use of artificial intelligence and other innovative technology;
- developing our people to give them new skills and experiences which complement their UK audit experience; and
- strengthening accountability in international institutions and countries which receive UK government funding.

There are three main components to our international work.

- **International relations:** We contribute to international forums and work with other organisations to collaborate and share knowledge on global themes, methods and standards, and hold bilateral discussions with other national audit offices. For example, in 2023-24, we invited Norway to conduct a review of our digital capability and the Netherlands to conduct a review of our environmental and sustainability audit approach, both strategically important areas as we prepare our new strategy from 2025. We continued to take a leading role through our participation on the governing board of the European Organization of Supreme Audit Institutions (EUROSAI) and chairing an international committee of financial audit standards. We also contributed to international working groups specialising in environmental and IT audit. We have continued our programme of outward short-term secondments with the Office of the Auditor General New Zealand, and in 2024-25, will introduce inward secondments to increase our capacity during our busier months.

- **International audit:** The NAO is the external auditor of some international organisations that receive UK funding. These appointments provide membership to the United Nations Panel of External Auditors, where we use our insight to influence the quality of assurance and gain intelligence on common issues across the UN system. Alongside our audit opinion as external auditor, we report annually to each governing body on wider financial and performance issues. We are close to the end of our six-year terms for our audits of the World Intellectual Property Organization and the Pan American Health Organization where our work has helped to shape strategy and drive improvement in areas such as human resources management, estates management, procurement, oversight and governance. In 2023, we began a new four-year audit mandate at the International Telecommunication Union.

Case study

Participation in EUROSAI governing board and the new project group on resilience

To help us learn from the pandemic and ensure that we can audit government's preparedness for other emergencies, we have established a project group to learn from other audit offices in the EUROSAI region, holding a two-day seminar. Our shared aim is to develop a framework to enable us and our European partners to audit resilience and preparedness as effectively as possible, drawing on collective understanding around how governments identify and manage risks, prepare for a specific or unspecified negative event, manage actual events and learn lessons.

⁵ This can often be through umbrella organisations such as the International Organization of Supreme Audit Institutions (INTOSAI) and its European regional working group, the European Organization of Supreme Audit Institutions (EUROSAI).

- **Technical cooperation:** We participate in projects to help other SAIs improve their professional public audit services. We strengthen accountability to taxpayers by prioritising our support to countries that receive UK aid. This work is mostly funded by the Foreign, Commonwealth & Development Office. Our programme in 2023-24 included work with audit offices in Tanzania, Kenya, Ghana, Gambia and Rwanda. Since 2017, we have also supported the audit and Parliamentary scrutiny mechanisms in the UK Overseas Territories (UKOTs), working with the Commonwealth Parliamentary Association UK and the Government Internal Audit Agency. We provide technical support and training and help to develop networks between the seven UKOT audit offices.

Case study

Memorandum of understanding on data analytics



Since 2017, the audit offices of Brazil, Finland, Germany, the Netherlands, Norway and the UK have been sharing knowledge, working experiences and code to improve our use of data

analytics. During 2023, we worked jointly to develop an app to streamline and standardise the way we audit and analyse operational processes (process mining). This collaboration led to a better output, with each office bringing different skills and experiences to the project. In 2024, we will continue our collaborative work, this time on approaches to identifying anomalies in financial data to support our audit of accounts.

Our joint international work on data analytics coincides with our publishing of a discussion paper on auditing algorithms and our recent analysis of approaches to the [use of artificial intelligence in the UK government](#).

Case study

Our collaboration with the Kenyan Office of the Auditor General

In 2023, the NAO collaborated closely with the Kenyan Office of the Auditor General (OAG) as part of a project funded by the FCDO's Fiscal Transparency and Accountability Initiative. We used our knowledge to support the OAG to improve the quality and transparency of its annual corporate report, drawing on skills that had previously led to us winning a Chartered Institute of Public Finance and Accountancy Public Finance Award in 2022 for annual reporting. We facilitated workshops for OAG staff to contribute ideas and helped its communications team to plan and deliver the report.

The OAG published its 2022-23 annual report in January 2024 and received great feedback on its design and accessibility. It gives stakeholders clear insight into the OAG's activities, successes, challenges, and financial performance. Working closely with colleagues from a different organisation, but with the same mission, has broadened the knowledge and skills of our people which we will use in our UK work and other international projects.

Local audit

External audit firms are responsible for reporting their opinion on whether local public bodies' financial statements give a true and fair view, and for concluding on whether the body has made proper arrangements for securing value for money. Data from the Public Sector Audit Appointments body showed that, by the statutory deadline of 30 September 2023, only five out of 467 local government body 2022-23 audit opinions had been given.⁶ The C&AG has committed to consider using his Code of Audit Practice powers as part of a wider set of actions coordinated by the Department for Levelling Up, Housing & Communities and the Financial Reporting Council (FRC) to support the local audit market, address the backlog of uncompleted audits, and ensure that this unacceptable situation does not reoccur. These actions tackle three areas: they require auditors to issue their audit opinions to the timetable set in new regulations from government; they provide routes for auditors to complete outstanding VFM arrangements work quickly and return to timely reporting in future; and finally, they strengthen the requirements on auditors to cooperate as they hand audits on to incoming auditors under new contracts for 2023-24 onwards.

⁶ Public Sector Audit Appointments, [Annual Quality Monitoring Report for 2023](#), February 2024.

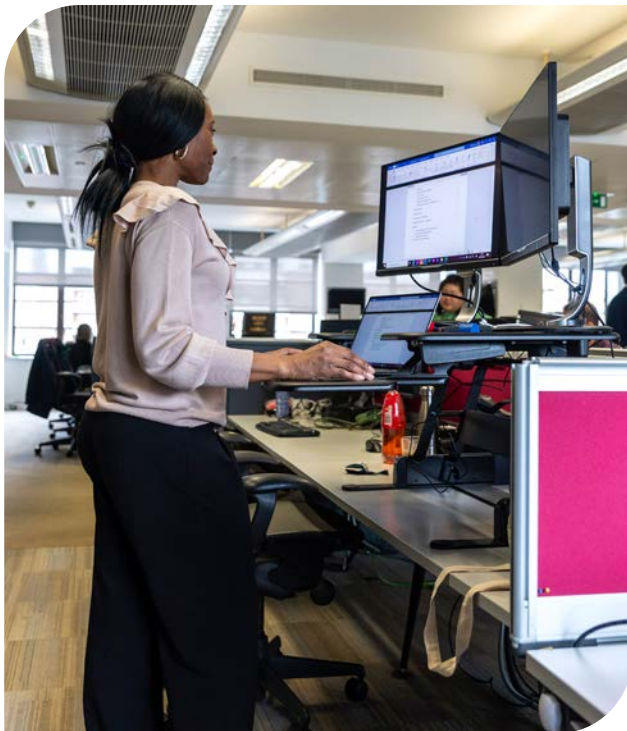
Correspondence

Every year we receive around 1,000 emails, letters and phone calls from the public, and around 100 pieces of correspondence from MPs. Following-up and replying to correspondence is an important part of what we do and informs our core work. In 2023-24, we provided 976 responses to the public and MPs (941 in 2022-23).

We aim to respond to correspondence from MPs within 10 working days and from the public within 20 working days. In 2023-24, we replied to:

- 99% of letters from the public within our target timescales (95% in 2022-23); and
- 98% of letters from MPs within our target timescales (93% in 2022-23).

The Freedom of Information (FOI) Act 2000 gives applicants a general right of access to recorded information held by public authorities, subject to certain limitations. In 2023-24, we received 104 requests for information under the FOI Act, compared with 80 in 2022-23. We received three requests under the Environmental Information Regulations (EIR) 2004 (one in 2022-23) and answered seven subject access requests under the Data Protection Act 2018 (five in 2022-23). We publish a [FOI and disclosure log](#) on our website.



Case study

NAO FOI and Correspondence Team team wins award



Correspondence from the public is important to the NAO and often highlights specific issues and provides valuable insights to help inform our audit work. Handling FOI and EIR requests appropriately

and operating transparently is fundamental to how we work.

We were therefore delighted that our FOI and Correspondence Team's dedication to excellent FOI handling was recognised at the eCase FOI Conference in March 2024, where we beat 15 other nominees to win 'Team of the Year'.

As our team of three FOI professionals received the award, they were told: "This team constantly puts the requester at the heart of what they do. Though many of their requests are complex, they consistently achieve 100% compliance. What's more – they continually review and refine their practices, so they keep on improving."

Our FOI and Correspondence Team's dedication to excellent FOI handling was recognised at the eCase FOI Conference in March 2024

Our impact on outcomes and value for money

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

Our programme

We examine the issues that matter most for public spending. In 2023-24, our reports to Parliament covered long-term VFM challenges facing government, including efficiency, resilience, and core public service delivery.

Targeting efficiency themes

Constrained public finances mean that now, more than ever, government must make the most of every pound of public spending. In 2023-24, we examined a number of enablers of efficiency across government, including the civil service workforce, cross-government working, competition in public procurement, and progress on digitising the tax system. We published a good practice guide on financial management in government, investigated grants and loans managed by the Student Loans Company and set out lessons learned on managing fraud and propriety risks. We audited the Cabinet Office's approach to reporting efficiency savings delivered by cross-government functions, published our insights on how the government delivers value from major programmes and reported on the government's use of artificial intelligence.

Case study

Financial management in government series



Sound financial management is of huge importance to government organisations. It helps departments to make timely and well-informed decisions, unlock efficiencies through better ways of

working, and better adapt and respond to unforeseen events.

We published two bite-sized good practice guides in July and September 2023 to help senior leaders understand the most critical areas they should focus on to improve the financial management of their organisations.

Our July 2023 guide on the [Enablers of success](#) draws out the importance of leadership and culture, skills and capabilities, and data. Our September 2023 guide on [Strategic planning and budgeting](#) outlines how planning done strategically and realistically gives organisations the best chance to thrive – helping to inform trade-offs and operate in an effective and efficient way.

These guides bring together the insights of senior leaders across a whole range of government organisations – from complex departments to small arm's-length-bodies. Leaders can use them as a useful health-check on the state of their organisation's financial management.

“I think the weight of [the NAO's] views, and their reports, and the quality of them I think is well respected.” MP, Ipsos survey 2023-24

Case study

Achieving procurement efficiencies through NHS Supply Chain

NHS Supply Chain was set up in 2018 to make the best use of the NHS's cumulative spending power when buying medical equipment and consumables. It aimed to save the NHS £2.4 billion by 2023-24. We [examined](#) whether it was working effectively and what it could do to secure greater efficiencies. We found that NHS trusts were spending increasing amounts through NHS Supply Chain but trusts' satisfaction in the service was declining. Trusts were still choosing to spend over £3.4 billion (43%) of money that could have been spent through Supply Chain through other routes, missing out on potential savings.

We recommended that NHS England should incentivise trusts to make better use of NHS Supply Chain, and that NHS Supply Chain should improve its understanding of customer satisfaction and develop a plan to improve it. The report supported an inquiry by the PAC which challenged the effectiveness of NHS procurement.

“[The NAO] tend to pick good subjects to do reports on, and just the quality of the material they produce is good.”

MP, Ipsos survey 2023-24

Wider impact

Management of government-owned land



What we did

The government owns £158 billion worth of property assets. Our 2022 report [Managing central government property](#) assessed government's management of these assets, concluding that it should identify a single departmental lead for each of the property portfolios, so that these can be managed as 'one estate'. We recommended that the Cabinet Office work with other government departments to nominate leads for all portfolios and identify areas of duplication and opportunities to deliver efficiency savings within portfolios by location.

Impact and outcome

The Cabinet Office has implemented our recommendation, for example, naming the Department for Environment, Food & Rural Affairs (DEFRA) as its lead for the 'Land Portfolio' and sponsoring new cross-departmental governance arrangements. Facilitated by DEFRA, the Land Group meets regularly to coordinate its management approach. Members of the group have agreed to work together to develop consistent, standardised, baseline data to maximise the value obtained from holding land, including for meeting UK environmental policy obligations. Cabinet Office officials told us that they would not have made this progress, formed these connections, or achieved agreements between departments, without a lead department.

Targeting resilience and environmental themes

We have reported on long-term risks to the resilience of government operations, public services and critical national infrastructure, and considered how well-placed government is to respond to unforeseen events or emergencies. In 2023-24, we published reports on the government's use of regulation to achieve its environmental objectives and on its resilience to extreme weather events. We reported on how the government is investing in the resilience of critical infrastructure including flood defences, school buildings, the new hospital programme, and digital infrastructure and mobile connectivity. We examined the government's support for innovation to deliver net zero and for biomass fuel, progress on the rollout of smart meters, decarbonising home heating, waste reforms, and work to promote active travel in England. We published a guide for senior leaders setting out the approaches they and practitioners can take to help overcome the key risk management challenges facing the public sector, acknowledging the need to balance short-term demands with long-term preparedness planning.

Case study

Building resilience and extreme weather

The COVID-19 pandemic highlighted the need to strengthen national resilience to prepare for future emergencies. In 2023, we examined how well-prepared the UK is for future [extreme weather events](#) as part of our work to draw out wider learning on improving national resilience. We found that, although government has dedicated response arrangements in place for these events, it has yet to set out what outcome it is looking to achieve in managing the risks of extreme weather and the level of risk it is prepared to accept. Its challenge is how it places sufficient emphasis on prevention and preparedness, making informed decisions about prioritisation to ensure efficient and effective investment in the long term.

We made six recommendations to government, including that it should set out what a resilient UK looks like, the respective roles of government, private and voluntary sectors and the public in achieving this, as well as implementing a coordinated, prioritised approach to investment in climate and wider resilience sooner. The report led to a PAC inquiry and has contributed to a wider debate.

Case study

Maintaining and improving social infrastructure: the New Hospital Programme (NHP)



The NHS in England has around 1,500 hospitals with the estate containing many old buildings. In 2020, the government announced the New Hospital Programme (NHP) and committed to

building 40 new hospitals by 2030. We looked at whether the programme was being managed in a way likely to achieve value for money. The programme was launched at a time when construction was badly needed after years of under-investment and a large maintenance backlog. We timed our work for an early stage in the government's programme to help it resolve issues before it was too late.

We published our [report](#) in July 2023. We found that the case for renewing the hospital estate was strong, with seven of the hospitals included in the programme identified as containing RAAC, a type of concrete which can become structurally unsound over time. We also identified substantial delays in both design and delivery, meaning that the government was now only planning to complete 32 new hospitals by 2030. We recommended that government and NHS officials should re-examine their hospital minimum design assumptions to address a risk that the new hospitals would be too small. This risk arose because of assumptions the government had made about shifting care out of hospitals in future and about bed occupancy and the average length of patient stays.

Our work contributed to wider public debates about the construction of public buildings and government's management of capital programmes, and supported an inquiry and [report](#) by Parliament's PAC. The Committee said that it was "extremely concerned by the lack of progress the NHP has made in the three years since its creation". We continue to monitor government's progress in implementing our recommendations.

Targeting themes relating to core public service delivery

We have maintained our focus on the performance of core public services, including persistent delivery challenges facing the government and areas of greatest risk to value for money. Our 2023-24 work covered public service challenges relating to adult social care reform, access to unplanned or urgent care, resettlement support for prison leavers, harm reduction from illegal drugs, progress in implementing Universal Credit, and the Homes for Ukraine programme.

Case study

Managing government projects more effectively – learning lessons on delivering value

Government focuses a lot on the case for investing in major projects and on delivering them to budget and schedule. It focuses less on whether projects delivered long-term value for taxpayers, service-users, the economy, or the environment. We returned to six long-completed projects including the London 2012 Olympics, the Millennium Dome/O2 Arena and the BBC's move to Salford to identify how those projects produced value. Through a series of observations and lessons the report provides insight into what steps government might take to maximise its return on its investment. We found that strong leadership, effective partnership working, and understanding the wants and needs of stakeholders are all important. Above all is the need to place the difference that a project will make at the heart of decision-making. The report has been well-received by government and the project management community, and we have discussed our findings at various conferences. We plan to follow up later in the year, helping government stakeholders think through what they might do differently to achieve more value.

Case study

Sharing our insight to improve operational services in government



The operational delivery profession is the public face of the civil service, with over 250,000 members. They are responsible for the services that people use every day, such as

processing passports, running benefit offices, job centres and courts.

Our people and operational management insights team has built a deep understanding of what organisations need to get right when delivering services and what capabilities are required in different roles.

Providing a good service for the public now, and improving it for the future, takes more than just the actions of senior leaders. To help, we share our insights in ways that people working in government can use in their current roles and prepare them for the next stage of their careers. Since 2018, we have delivered 12 masterclasses for the civil service fast stream as part of the Future Leaders Scheme, supported training for the government's operational delivery profession and published a good practice guide for senior leaders.

Building on our February 2023 [good practice guide](#), we joined with the operational delivery profession to participate in six 'sold out' Civil Service Live events nationwide in 2023. We used these forums to share our insights on understanding demand, using information to run effective services and applying improvement techniques to increase productivity. We have received further requests to work with individual public bodies since these events.

Case study

Building civil service leadership capability



An effective Senior Civil Service (SCS) needs highly capable people; the leadership skills of the SCS can make the difference between projects and services succeeding or failing. In March 2024, we

published a VFM report on [Civil service leadership capability](#). It sets out the Cabinet Office's approach to all activities that aim to increase SCS leadership capability, such as recruitment, retention, and training.

We found that the Civil Service needs a more coherent view of what it expects from its senior leaders. We also found that, despite a Cabinet Office aim to bring in skilled leaders from other sectors, recruitment into the SCS is dominated by internal promotions. While we found examples of good work within individual activities, we concluded that the Cabinet Office approach is fragmented and needs to be more coherent and evidence-based, with clearer responsibilities and accountability for individual activities, and clearer objectives and evaluation planning for the system as a whole.

Our impact

We use our reports to make recommendations to improve how audited bodies operate. Since September 2021, we have published audited bodies' progress in accepting and implementing our recommendations made since April 2019 through a [tracker](#) on our website. Between 1 April 2019 and 31 March 2023, we made 1,069 recommendations, 1,017 (95%) of which have been accepted or partially accepted by government. In total, 632 (59%) have been implemented and 332 (31%) are work in progress.⁷

In the 2023 calendar year, our confirmed financial impact was £1,588 million, which represents around £17 for every pound of our net expenditure



⁷ The remainder of recommendations not classified as accepted or partially accepted are either rejected or still under consideration by departments, or we have no information on their acceptance yet.

Among other impacts, our work saves public money. Each year, we assess the financial impact of our work and influence by identifying where this has resulted in improvements with financially quantifiable net benefits. These impacts stem from both our financial audit and VFM work. In some cases, financial impacts are calculated for a single year, whereas in others they span multiple years. Our target is to achieve £10 of financial impact for every £1 the NAO costs the taxpayer.

Our financial impact varies year on year, and we do not expect to meet our target every year.

In the 2023 calendar year, our confirmed financial impact was £1,588 million, which represents around £17 for every pound of our net expenditure. A list of financial impacts valued at more than £5 million is included on pages 124 to 126.



Financial impact

Historic refinancing of PFI and PPP projects



Public Private Partnerships (PPP) are those where the public and private sectors collaborate on projects. PPPs take many forms, and include Private Finance Initiatives (PFIs), which involve private investors designing,

building, financing, operating and maintaining a facility for an agreed time before transferring it back to the public sector. In these examples, the public sector pays the private entity for the use of the facility. As interest rates change, PFI providers often look to replace the existing project debt with new debt on more favourable terms to generate a financial saving – this is known as refinancing.

In 2000 we published *The Refinancing of the Fazakerley PFI Prison Contract*, which reported that the Prison Service did not have any contractual rights to share in the benefits of the refinancing of that contract. The PAC subsequently recommended that departments share any gain from refinancing a PFI contract, and HM Treasury changed its guidance to include a 50:50 refinancing gain share mechanism between the public authority and the PFI contractor.

Since then, public sector bodies have benefitted from refinanced PPP/PFI contracts on many occasions, and the NAO has claimed an impact from some of these deals. In 2023, we grouped together 68 PFI and 15 other PPP deals to claim a single impact worth £1 billion (see page 125).

Financial impact

Electricity networks



In 2020 we published *Electricity networks*, which found that, under Ofgem's regulatory framework, electricity network companies had provided a good service, but that it had

cost consumers more than necessary because performance targets should have been more stretching, and allowed revenues were higher than they needed to be. The impact of this was compounded by Ofgem extending the regulatory period from five years to eight. We made several recommendations to Ofgem.

Ofgem told us our report informed its approach to reforming price controls, which saw a significant revision to the cost of capital for electricity networks and is thereby expected to save consumers billions of pounds over the price control period 2021 to 2028. We will claim a proportion of these savings as a financial impact in each year that they are realised. In 2023, we claimed £80,650,000 (see page 125).

Our wider impact

We also measure our impact in ways that may not be easy to quantify in money terms but nonetheless are important in helping government to improve its processes or become more effective. We call these 'wider impacts', and present several examples through this report. Each has been agreed with the bodies we audit.



Senior officials in the bodies we audit consider that our work leads to better outcomes¹

68% of senior officials agree

73%

70%



The indicator we use to measure our progress



Target for 2023-24

What we achieved in 2023-24

What we achieved in 2022-23

● Target met

▲ 3 percentage points

Note

- ¹ We commission an annual programme of research with audited bodies. In 2023, this work was conducted by IFF Research and involved an online survey of 169 audited body officials from 112 organisations and interviews with 71 representatives from 35 organisations, with fieldwork undertaken between August and December.

Wider impact



Improving government's understanding of progress in tackling air quality breaches

What we did

In our report *Tackling local breaches of air quality* we found that government's progress on its largest air quality programme (the Nitrogen Dioxide Programme) was slower than expected. Government did not have a good understanding of the reasons for the delay, which made it harder to identify where national action might be needed to tackle common barriers across local authorities. We recommended that it clarify its milestones, collate consistent and complete information on progress, and carry out a periodic (at least six-monthly) stocktake of progress to consider overall trends and identify solutions needed.

Impact and outcome

Government accepted our recommendations and the Joint Air Quality Unit (JAQU, a government organisation established by the Department for Environment, Food & Rural Affairs and the Department for Transport in 2016) has improved the way it tracks progress to tackle air quality breaches. JAQU's Programme Board now monitors progress against key milestones on a monthly basis and JAQU has also completed two six-monthly stocktakes. The Unit now has a much better view of the status of local authorities in the programme, which has helped it identify risks and issues faster, and work more closely with them where needed.

Accessible independent insight

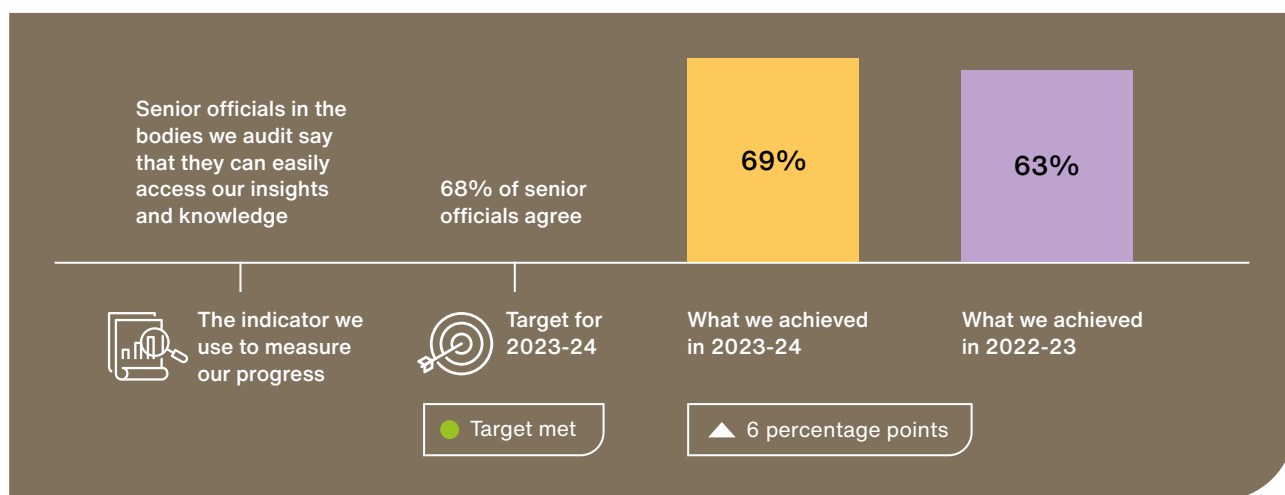
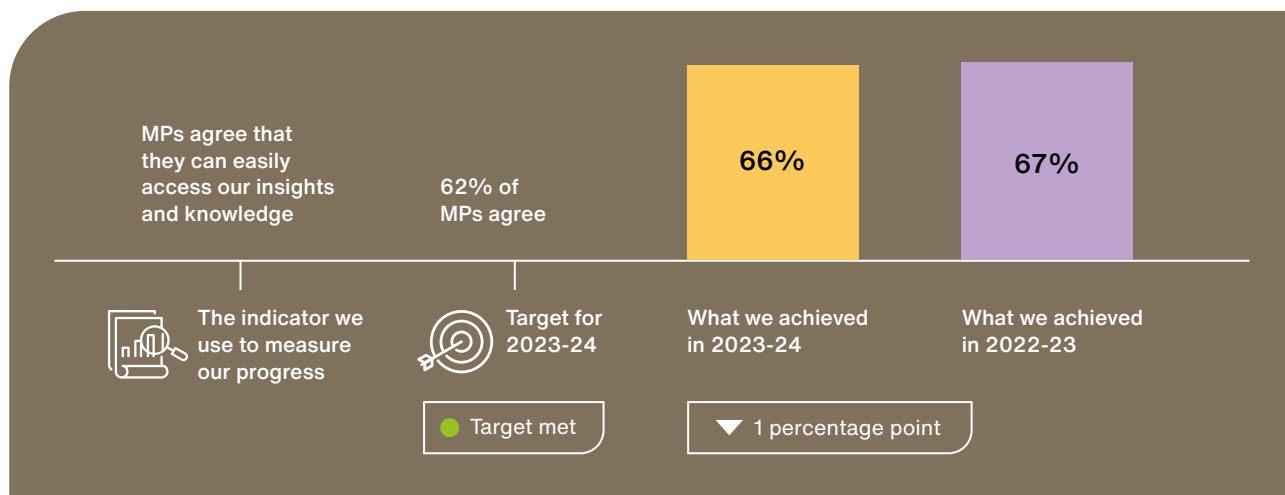
This section is an overview of progress we have made on our strategic priority to provide more accessible independent insight.

Making our insights accessible

Promoting our work and sharing our expertise

Our audit work across government gives us deep knowledge of the challenges facing public services, and a unique perspective on how these challenges are being met. We also see innovations and successful ways of working in our audited bodies that could be applied more widely. It is our job to highlight good practice and to share lessons learned through

Parliamentary select committee forums, audit committees, other networks, and with individual MPs and senior officials. To that end, our experts spoke at 68 external events in 2023-24 on issues such as procurement and major project delivery, and we held two Audit Committee Chairs' briefings.



Note

1 Our performance framework also includes monitoring of our media impact. We have not included performance against this measure in this year's annual report because of supplier changes and technical difficulties providing these data. We aim to measure media performance again in our 2024-25 Annual Report.



Case study

Working with government to strengthen project delivery



In 2022, the NAO, the Infrastructure and Projects Authority and the Government Internal Audit Agency established a formal three-way arrangement to foster greater collaboration.

We did this to make sure

that we are sharing insights with each other from our respective audit and assurance activities on government major projects. These arrangements have had many benefits, giving us a greater understanding of each other's roles, permitting us to share emerging insights and identify common themes from our areas of work, and facilitating greater personal and more timely contact between our organisations. For example, we run joint workshops every six months where we discuss common themes

and have guest speakers on important topics such as benefits, portfolios, evaluation and data analytics. These workshops have assisted the continuing professional development of staff at all three organisations.

Since December 2022, we have also run workshops for Civil Service Fast Stream participants, from a variety of professions, to share our knowledge on delivering major projects. We base our workshops on the lessons we have learned and use exercises and case examples to bring our insights to life, including those set out in our publications [*Lessons learned from Major Programmes*](#) and [*Framework to review programmes*](#). To date, 70 Fast Stream participants posted across 20 government departments have attended our workshops. The feedback we have received has been positive, with attendees saying that the workshops helped them understand the characteristics of good project delivery and issues to be considered when implementing a project, as well as giving the leaders of the future more insight about the NAO's role.

Case study

Introducing annual Audit Committee Chairs' Briefings in 2023-24



In June 2023 we held our first annual Audit Committee Chairs' Briefing, a new event specifically tailored to this stakeholder group. Through our client feedback survey, we know audit

committee chairs are keen to access our insights in a digestible way. This event enables us to bring a significant number of committee chairs together in person and share our cross-government insight to drive improvements in good financial management, accountability and transparency.

At the inaugural event, 50 Chairs attended from a wide range of government bodies. We gave updates on our priorities, including audit quality, and introduced the work of our insight teams. At the second event in February 2024, Chairs attended to discuss cyber, digital and data risks.

Participants have fed back positively about the value of the briefings in helping them in their governance and oversight roles and appreciated the opportunity to network with others. The event is now well-established, with Chairs keen to attend on a regular basis. We look forward to engaging more with these important stakeholders.

Since we launched our current strategy in 2020, we have done more to harness and deepen our insights by establishing six specialist Insights Teams covering functional areas that are priorities for government: analysis; digital; commercial; project and programme delivery; people and operations management; and financial and risk management. The Insights Teams have worked well, building our expertise and producing new products to support senior decision-making in government and effective scrutiny by departmental audit committees and Parliament. In 2023-24, we published 10 good practice guides and six lessons learned reports.

Case study

Managing commercial relationships more effectively – companies in distress

The UK government's position is that, in general, private sector companies should be allowed to fail as part of the efficient working of markets and the economy, and that direct government intervention in the private sector is a last resort. But in some circumstances a company failure could expose the government, taxpayers or service users to disproportionate levels of risk, and the government may decide that intervention is necessary.

In our audit work we have examined many examples of government interventions to support companies in distress, including Carillion, Southern Cross and, most recently, [Bulb Energy](#). These examples show that government interventions in distressed companies involve difficult decision-making at speed, rely on access at short notice to specialised skills not widely held in government, can be very costly in the short term and may take a long time to exit.

Our work also shows that government can learn from experience so that it is better prepared to monitor and respond to company failure risks. In 2023-24, we published a report which pulls together key [lessons learned](#) from such events and produced a [good practice guide](#) setting out what we expect from government and what questions it should be asking. We are continuing to share our analysis with the Government Commercial Function and HM Treasury and with other officials such as departmental risk managers.

Case study

Reducing fraud and protecting propriety during an emergency

Since the start of the COVID-19 pandemic in 2020, we have reported a number of instances where, without harming its response to the pandemic, government could have done more to maintain basic standards of accountability, including transparency, managing conflicts of interest, and addressing known vulnerabilities to fraud. In February 2024 we published a report on what [lessons government can learn about tackling fraud and protecting propriety in government spending during an emergency](#). We drew on over 60 of our audit reports, interviewed 18 departments and held cross-government workshops. We identified seven key areas where government could set itself up better to manage money in an emergency and made 20 recommendations for how it could prepare now for the next emergency. These include being clear on the rules; communicating priorities; creating a flexible counter-fraud capability; planning for the data that will be needed; increasing transparency; and planning how to buy in a seller's market. Departments told us they welcomed these recommendations, and we will be following up on how they are implementing them over the next year.



To ensure that we reach a wide audience, we share our products and insights in various ways, through social media and events, video content, media engagement and email communications, evaluating and adapting our approach. We know that the media relies on our reports as a trusted and independent source of information. Our digital communications resulted in an average of 125,000 website page views per month and 140,000 report downloads in 2023-24. Our social media posts achieved 1.6 million impressions and our emails have more than 50,000 subscribers. The C&AG's annual speech to MPs and senior civil servants in Parliament gained widespread parliamentary, media and other interest and was referenced in the March 2024 budget.

Of the senior officials of our audited bodies who have read one of our insight products, around nine in 10 say that they are clear, useful and of high quality (93%, 91% and 86% respectively). Of those MPs who know at least a little about the NAO, 73% say that our insights and reports are clear, easy to read and understand (up from 67% in 2022-23).

Wider impact

HM Treasury Efficiency Framework



What we did

In 2021, we published a lessons learned report, *Efficiency in government*, that sets out the issues we regard as the most important for government to get right

when it comes to identifying enduring efficiency gains, having a robust plan to realise those gains, and finding ways to embed efficiency as an ongoing priority.

Impact and outcome

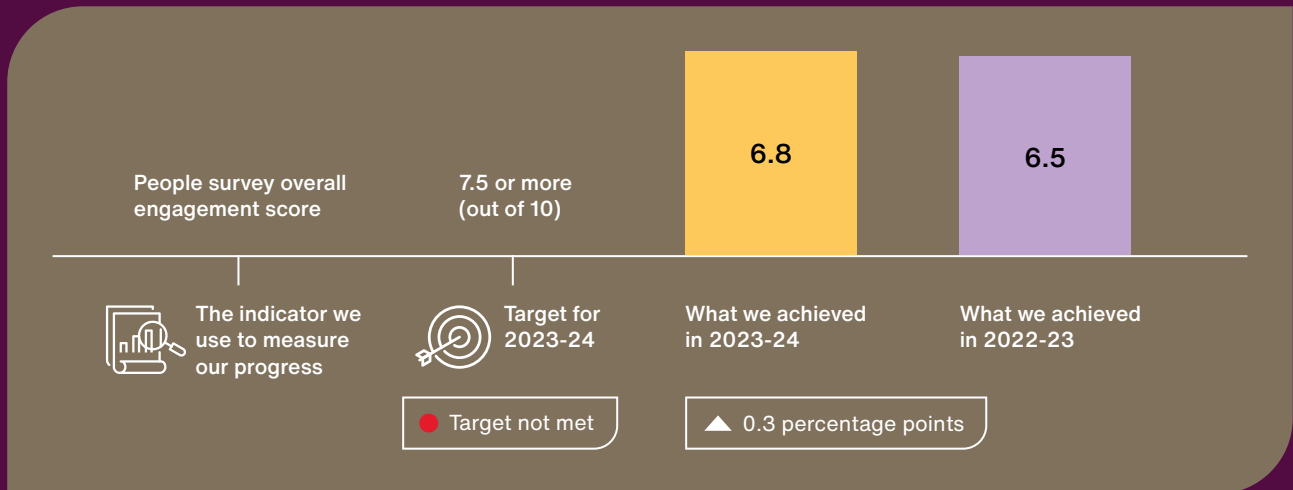
Building on our lessons learned report, HM Treasury published *The Government Efficiency Framework* in 2023 to support departments with categorising and tracking efficiencies. The framework drew on our report in how it defined efficiency and on many of the key messages, such as considering efficiencies that can be achieved through prevention and early detection, and the importance of having data to track the progress of efficiency gains.

Our people

This section is an overview of progress we have made on our strategic enabler to attract, retain and develop high-quality people. It contains information on developing our people, promoting a diverse and inclusive workforce, and supporting their wellbeing.

Supporting and developing people

We want to attract talented and diverse people and support them to become even better at what they do while ensuring that we have the skills and capabilities we need. In June 2023, we welcomed Catherine Hope-MacLellan as our new Chief People Officer to help us achieve our ambitions and in summer 2023, we consulted the whole office to better understand what people thought about our culture and what would make our working environment even better. Feedback from our regular surveys of our people on their experience at the NAO showed an improvement in many areas in 2023-24 (Figure 3 on page 46).



Note

1 See Figure 3 for more findings from our People Survey and the methodology used.

Case study

Culture conversations



In summer 2023 we conducted Culture Conversations – a series of NAO-wide events where we invited colleagues to share their perspectives on our culture and the things we could do to make the NAO even more effective. Colleagues were keen to take part. They spoke of many positive changes in our culture over the last three to four years, and a few areas where we could pay more attention so people feel supported and able to contribute. These insights have informed our strategic review, and have prompted discussions at all levels, as we shape our next strategy for 2025–2030.



Case study

A message from our new Chief People Officer, Catherine Hope-MacLellan



Starting in a new job is always a daunting prospect. In many organisations a new team member meets resistance to their ideas or defensiveness of current ways of doing things. But not at the NAO.

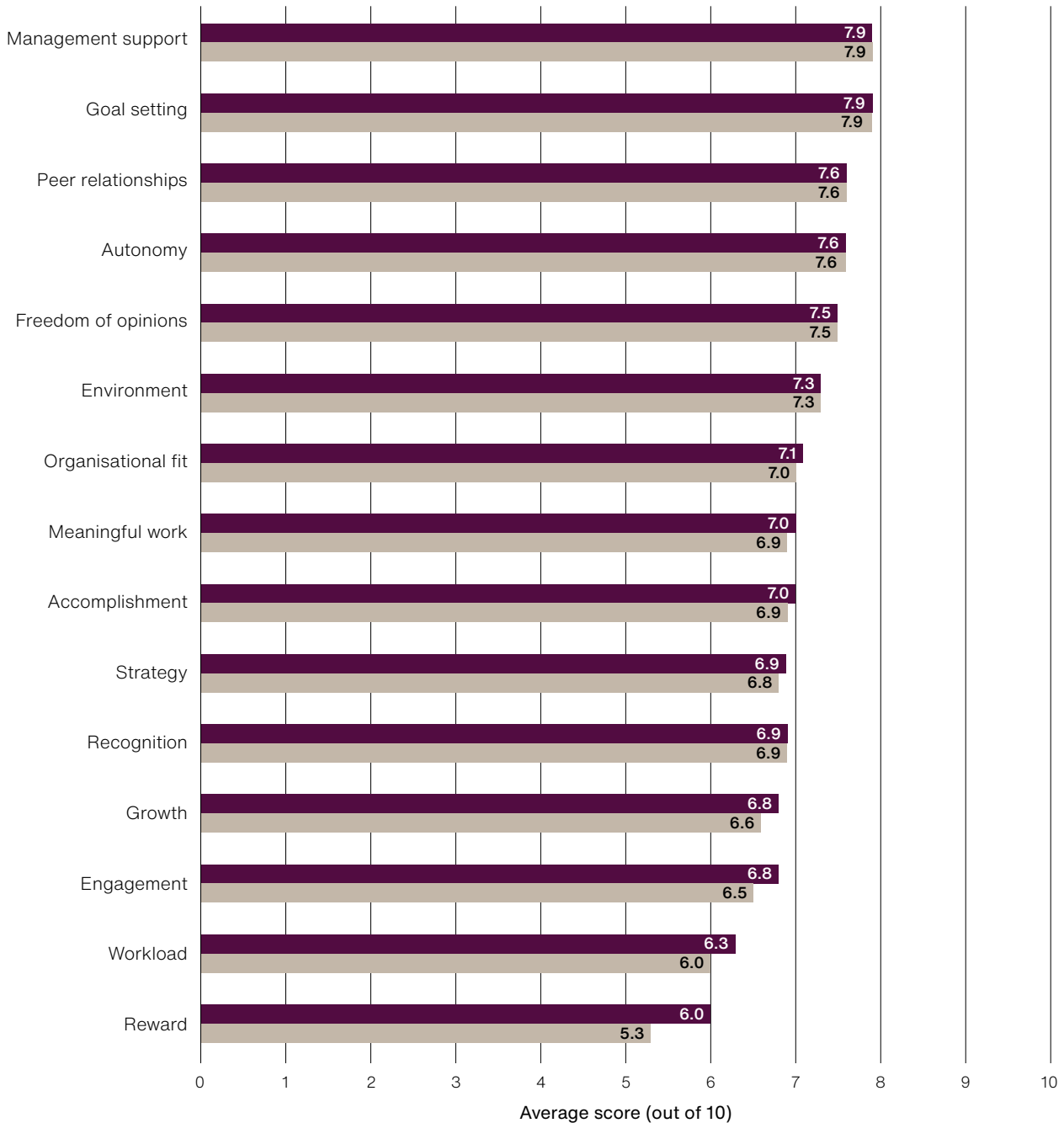
Without exception, every person I have met at the organisation has been welcoming and eager to know how they can improve. No one has rejected my thoughts because I had a different perspective. My differences were embraced. I have come to learn that the NAO's mission is not the only quality that makes it unique. This openness to diversity of ideas has made a real difference to me being able to perform at my best in my first year here.



Figure 3
People Survey results, 2023-24 and 2022-23

Our scores improved in 8 of 15 areas; no score went down this year

Drivers of satisfaction with work



■ 2023-24 ■ 2022-23

Notes

- 1 The NAO People Survey is a questionnaire survey of colleagues conducted quarterly using Workday Peakon Employee Voice.
- 2 We have a bank of 56 questions and give respondents the chance to provide other written feedback. The results are summarised under 15 drivers. Our survey measures levels of engagement, helps us to understand what motivates and supports our people and helps us to measure the effectiveness of our interventions.
- 3 The 2023-24 scores presented are based on aggregated average scores (range from 0 to 10) from the 12 months to January 2024. The 2022-23 scores presented are based on aggregated average scores (range from 0 to 10) from the 12 months to March 2023.

Source: National Audit Office analysis of the Peakon People Survey

Our scores relating to reward were better this year, reflecting the new pay framework agreed with our people. We have also started work to draw together and communicate the features that make the NAO a great place to work, including our development opportunities, our purpose-driven culture, our support for colleague health and wellbeing and our physical work environment. Lower survey scores for workload reflect our ongoing joint effort with audited bodies to get accounts certified earlier following the pandemic and the need for more audit work in response to enhanced accounting and auditing standards. Our plans for 2024-25 address these resourcing challenges.

In 2023-24, we supported teams in the rollout of our new audit management software, Apex, delivered project- and time-management training, and targeted stakeholder influencing skills development. We also strengthened our induction programme for our new accountancy trainees in 2023-24. For our VFM audit colleagues we have extended our learning and development programme and are making it easier for colleagues to build specialist skills through our Insights Teams. Many of our people are members of the Institute of Chartered Accountants in England and Wales (ICAEW). In November 2023, the ICAEW updated its Continuing Professional Development requirements. We have aligned our processes for training and development activity and monitoring with the revised requirements.

Diversity and inclusion

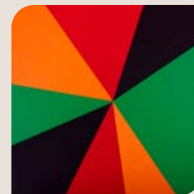
Our 2021-2025 [Diversity and Inclusion Strategy](#) sets clear and ambitious targets to increase diversity across the NAO and to promote an inclusive work environment. The strategy is supported by individual action plans for race, disability and social mobility. Progress against our targets is monitored by our Diversity and Inclusion Operational Committee and our Executive Team, overseen by our diversity networks.

We increased the proportion of women in more senior positions in 2023-24 (**Figure 4** overleaf). We continued to recruit more ethnic minority trainees and have improved retention over the last 12 months but know that we have more to do to support their progression to senior management. Our Diversity and Inclusion annual report for 2023-24, published alongside this document, sets out the measures we have taken this year, including a pilot ethnic minority sponsorship programme.



Case study

Black History Month: 'Saluting our sisters'



For #BlackHistoryMonth2023, the theme was 'Saluting our sisters', and over 200 of us attended a series of events showcasing six Black women across the NAO: director Mfon Akpan; senior

audit managers Lilian Ndianefo, Tosin Omole, Abiola Akintunde and Corinne Tanner; and audit associate Meihad Osman. They shared unique perspectives reflecting their professional experiences across the private and public sectors, ranging from Mfon's role as an independent non-executive director in the banking sector, to commitments to colleagues and their wider communities through various networks, involvement in voluntary organisations and faith groups. Common themes woven into their life stories included striving for excellence and overcoming life's challenges with determination, hard work, tenacity and a little humour, and the pivotal role that sponsorship played in their journey.

The feedback from these events was overwhelmingly positive, with attendees appreciating participants' frankness and openness. Attendees left the sessions inspired and with new-found appreciation for the challenges their colleagues had endured or overcome during their careers.

Figure 4

Percentage of women, ethnic minority and disabled colleagues, and colleagues from less-advantaged backgrounds by grade, March 2024¹

	Senior management ²		Middle management		Other grades		National Audit Office total	
Women	45%	37%	51%	51%	49%	49%	49%	49%
Ethnic minority	11%	9%	14%	16%	31%	29%	26%	25%
Disability	12%	13%	13%	10%	17%	16%	15%	15%
Less-advantaged background (parental occupation) ³	19%	–	30%	–	25%	–	25%	–

● ● ● ● March 2024 ○ ○ ○ ○ March 2023

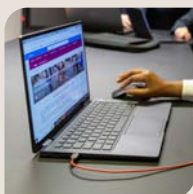
Notes

- 1 Data for March 2024 is as at 31 March 2024 (a snapshot in time).
- 2 Senior management = executive director/director; middle management = senior audit manager/Band 1; other grades = all other grades.
- 3 The percentage of people who are from less-advantaged social backgrounds uses a parental occupation measure. The occupation categories for those from less-advantaged backgrounds are routine, semi-routine manual and service occupations, long-term unemployed, and technical and craft occupations. This is the first year that we have measured social mobility using a parental occupation indicator so we do not have comparative data for 2022-23.
- 4 Analysis excludes 'Prefer not to say', 'Other' and non-disclosure which for office-wide figures was 2% for ethnicity, 4% for disability and 30% for social mobility; and excludes non-binary, prefer not to say and non-disclosure for 'women' calculations, which was 1%.

Source: National Audit Office analysis of Human Resources data

Case study

Improving the induction experience for first-year trainees joining the NAO

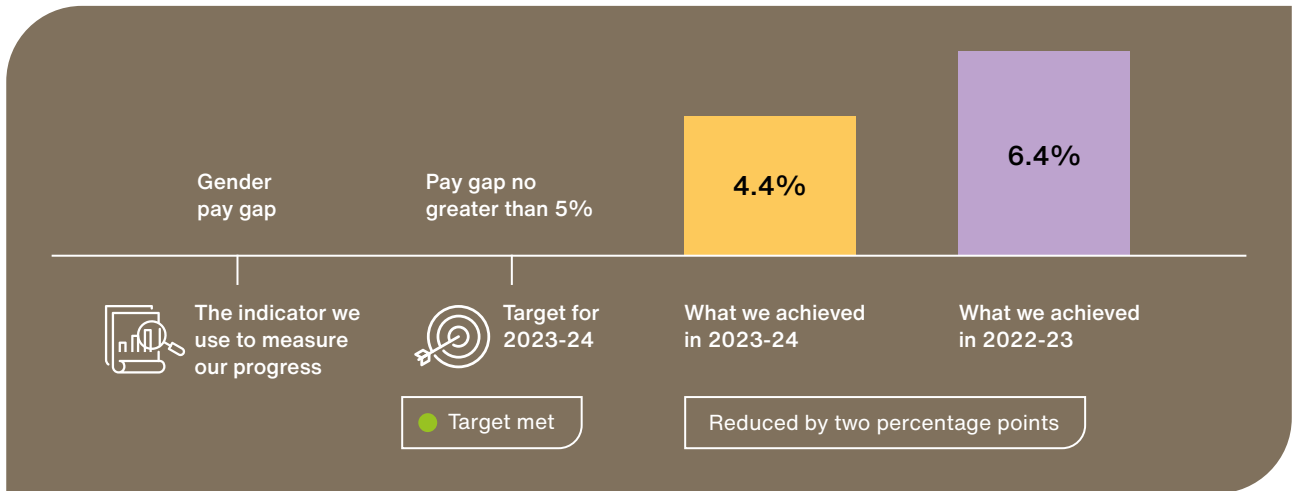


In 2023 we changed our induction offer for new apprentice and graduate starters to the NAO. We extended the programme, organising content thematically over several weeks. This was to prepare our people better

as they entered the world of work, sometimes for the first time. We made sure a golden thread ran through all the training sessions linking learning back to the NAO's core public audit role in supporting accountability and scrutiny. We used this induction opportunity for colleagues to build strong and supportive relationships during their early careers.

We also added a week of mock exams, worked on revision techniques, and helped to promote resilience, all to support and prepare our colleagues for the challenge of professional exams and their new work environment. Our approach has made a measurable difference, with this year's cohort of apprentices achieving a pass rate of 86% for their first three exams compared to 67% last year.

Our induction training is part of our wider learning and development programme, for which our team was awarded the Public Sector Initiative of the Year at the [British Training Awards](#) in June 2023.



Note

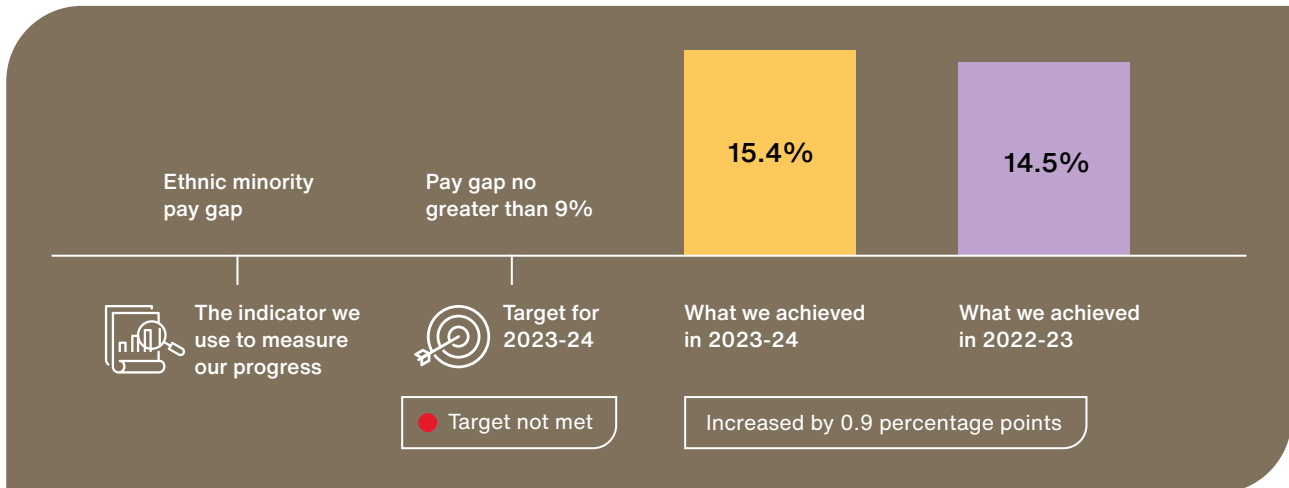
1 Rounded to one decimal place.



Diversity pay gaps

Since 2017 the NAO has made an annual statutory declaration of our gender pay gap. While reporting on other diversity pay gaps is not mandated, we also [publish data](#) for ethnicity and disability. The reduction in our gender pay gap between April 2022 and April 2023 means that we are on track to eliminate it by our target date of 2027. We also reduced our disability pay gap in 2023 by 0.95 percentage points to 5.05%. However, our ethnicity pay gap increased in 2023, mainly because of the high proportion of ethnic minority trainees we have recruited recently who are in our lower pay grades. Increasing the diversity of our recruitment is a key element of our Diversity and Inclusion Strategy. Our challenge now is to retain these colleagues and support their progression.

The reduction in our gender pay gap between April 2022 and April 2023 means that we are on track to eliminate it by our target date of 2027



Note

1 Rounded to one decimal place.

Supporting our people with their wellbeing and attendance

Since the pandemic, we have experienced higher rates of sickness absence. Data from the Office for National Statistics show that this is part of a national trend.⁸ Survey results from the Chartered Institute of Personnel and Development record a similar pattern, with average absence increasing from 5.8 days per employee in late 2019 to 7.8 days in 2023.⁹ Our own data show that our sickness absence has increased from 5.5 days per employee in 2018-19 to nearly 9 days in the 12 months to March 2024. As an exemplar employer, we need to do more to support our colleagues and reverse the trend in sickness absence. We have recently held training sessions on absence management with more than 200 of our managers and are continuing to assist them while also identifying further improvements to our employee wellbeing approach, working with our occupational health providers.



⁸ Office for National Statistics, [Sickness absence in the UK labour market, Table 3](#).

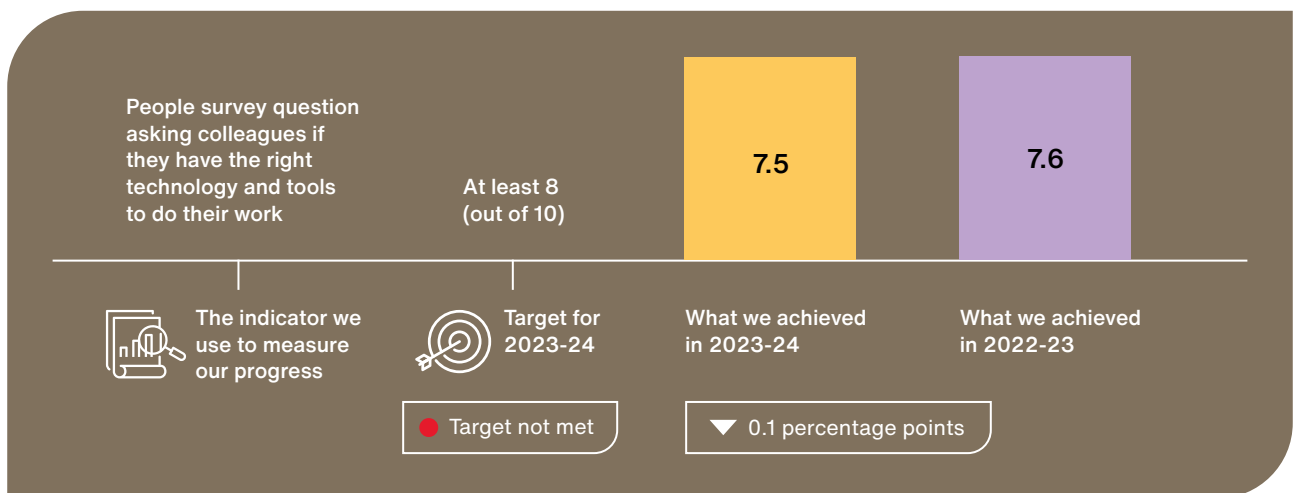
⁹ Chartered Institute of Personnel and Development, [Health and wellbeing at work Survey Report](#), September 2023.

Effective use of 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.

Technology and data

In 2023-24, we introduced Apex, our new audit management software. This has been a big effort by our NAO teams and suppliers and ensures that our people have technology that supports and guides them in their work. We have used this platform for all our 2023-24 financial audits. We also refreshed our digital plan for the final two years of our current strategy, with work streams targeting digital audit, a digital workplace, and our people and knowledge.



Note

1 The question asked by our current People Survey supplier is slightly different to the one described in the indicator above (which is taken from an earlier people survey questionnaire). The performance above is in relation to the statement: "I have the materials and equipment that I need to do my job well."

“We do listen to the NAO, we’ve got huge respect for them.”
Finance Director, audited body

Case study

Rollout of Apex for 23-24 audits



In September we rolled out our new audit management software, Apex, on time and on budget. This is a key milestone within our Audit Transformation Programme which aims to deliver

world-class public audit for the digital age.

Apex was designed and built by auditors in collaboration with our third-party supplier Tiski and uses the latest Microsoft Power Platform technology. It supports high-quality audit by guiding our auditors

through the NAO methodology, making it easier to do the right thing, first time. Standardisation and automation will also help improve efficiency and the ability to leverage insight from our work.

The system, which is receiving positive feedback from colleagues, lays the foundations for the increased use of technology in our work. In the coming months we will deliver further upgrades, including functionality that will improve how we collect and analyse data from the bodies we audit.

Digital audit

We use data and analytics tools to improve the quality and efficiency of our financial audit work. These tools help us to identify higher-risk accounting transactions, using standardised and automated processes. Nearly all our in-house audits use journal analytics tools through our AIMS (Audit Information Management System) platform. We also use AIMS to automate how we select transactions for audit testing. In 2023-24, we increased our use of tools like SmartExporter for extracting financial data from audited bodies' systems, which makes our work more efficient and accurate. We are continuing to test and expand the range of data and analytics tools that we use in our financial audit work.

Digital insights

We made good use of data analytics techniques in our 2023-24 programme of VFM work, providing new insights from large datasets. Our cross-government study of the civil service workforce used these techniques to examine raw annual employment data from the last 10 years to produce new public information.¹⁰ Similarly, we used geo-coded data on the office location of legal aid providers to give new insights on the accessibility of legal aid over recent years.¹¹ Meanwhile, our specialist digital insights team has continued its work to influence how government plans for digital transformation.

10 Comptroller and Auditor General, *Civil service workforce: Recruitment, pay and performance management*, Session 2023-24, HC 192, National Audit Office, November 2023.

11 Comptroller and Auditor General, *Government's management of legal aid*, Session 2023-24, HC 514, National Audit Office, February 2024.

Case study

Guidance on digital transformation

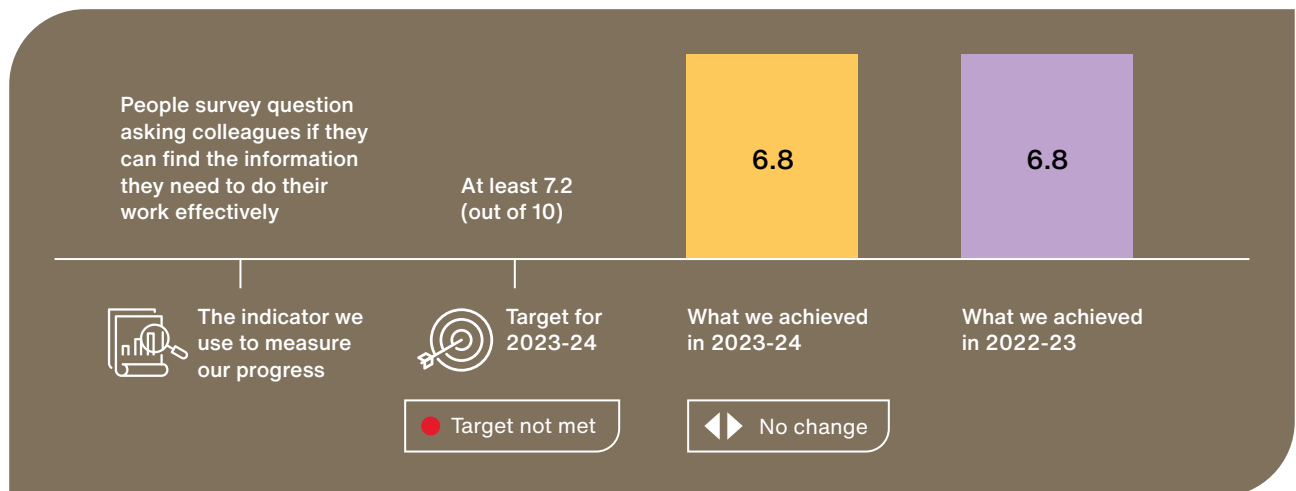
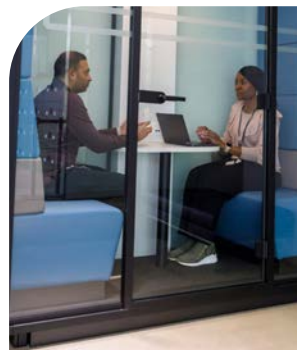


Our work over the last decade has shown that government’s attempts at digital transformation have had mixed success. We have seen programmes derailed from the outset because of excessive scope and unrealistic budgets and timescales. The Cabinet Office’s former permanent secretary, Sir Alex Chisholm, has recently acknowledged our contribution in helping to guide government thinking in this area.

Drawing on our two previous reports on addressing the barriers to efficiency and the challenges of implementing digital change, we published *Digital transformation in government: a guide for senior leaders and audit and risk committees* in February 2024. It aims to help those who are tasked with overseeing large-scale digital change to understand more clearly the core issues to be addressed and pitfalls to avoid in three key challenge areas: understanding the constraints of the existing environment, under-estimating the scoping work needed, and a lack of skills and leadership.

Knowledge management

To improve how we manage our information, we created a dedicated knowledge management function early in the implementation of our current strategy. Our knowledge team is restructuring how we collect, organise and share knowledge to ensure compliance with good practice in records management and to make it easier for our teams to find the information they need to do their work effectively.



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 show strong financial management. We prepare our budgets in line with the Public Spending Framework. Parliament authorises or votes separate resource, capital and cash budgets, and these provide control limits for our spending. Our outturn against budget is shown in **Figure 5** (bold numbers are our control limits).

Audit and assurance work

Our audit and assurance work consists of our financial audits, VFM studies, responsive work, international work and direct support to Parliament. Our total resource expenditure of £122 million was slightly greater than budget (variance of 0.8%). Our resource expenditure on audit and assurance work is made up of the following:

- **Staff salaries and staff-related costs** used to fund permanent and temporary staff. We spent £86.2 million (around 70% of total resource expenditure) on these costs, in line with our budget. We offset any shortfall in the planned number of permanent staff by using temporary staff (see Figures 15 and 16 on page 87).
- **Non-staff costs** covering payments to partner audit firms who assist with our audit work, audit travel, audit technology and data security investments, the running of our London and Newcastle offices and business support operations, and annual depreciation of our assets. We spent £35.8 million (around 30% of total resource expenditure) on these costs. The 0.8% variance on total expenditure for the year was a result of greater-than-planned non-staff cost, a major driver of which was the rising cost of using audit firms.

Income

Parliament directly funds around 80% of audit and assurance work, including the financial audits of major government departments and our VFM studies, with the rest of what we do funded from income earned. We charge an audit fee 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 £29.7 million against a budget of £26.2 million, a variance of £3.5 million (13.4%). The additional income reflects recovery through audit fees of the extra costs of the audit firms and recovery of extra costs incurred by our teams in addressing new and emerging audit risks. It also reflects our recent success in renting out more of our office space to third parties as the London commercial property market has improved.

Capital expenditure

A capital budget permits us to purchase assets whose use extends beyond a year. Our capital budgets are based on detailed asset plans and cover a range of projects, from standard replacement of items such as laptops and software (whether bought or developed in-house) to more substantial building enhancements.

Our capital expenditure for the year was £3 million, which is broadly consistent with a budget of £3.2 million, a variance of £0.2 million (6.3%).

Cash expenditure

We made net cash payments of £93.6 million against a budget of £94.4 million, a variance of £0.8 million (0.8%). The variance 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.

Figure 5

National Audit Office (NAO) financial performance, 2023-24

Our expenditure was within budget

	Estimate	Outturn	Variance	Variance
	(£mn)	(£mn)	(£mn)	(%)
Total resource expenditure on audit and assurance work	121.0	122.0	1.0	0.8
Less: income	26.2	29.7	3.5	13.4
Net resource expenditure on audit and assurance work	94.8	92.3	-2.5	-2.6
Net capital expenditure	3.2	3.0	-0.2	-6.3
Cash expenditure	94.4	93.6	-0.8	-0.8

Notes

- 1 See the NAO's Statement of Comprehensive Net Expenditure and associated notes in the Financial statements for more detail. The above excludes 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 are rounded, and variances presented are based on the rounded values.
- 3 Includes a supplementary budget request, called a 'supplementary estimate' which was approved by the Public Accounts Commission in Parliament.

Source: National Audit Office analysis of financial data

Supplementary budget adjustment

A supplementary budget request was submitted to, and approved by, Parliament during the financial year to accommodate resource costs of £3.7 million that were not anticipated when our annual budget was approved in March 2023. The request covered the impact on the NAO's work arising from government department changes announced in February 2023, extra analysis required to address issues that arose during fieldwork on some Parliamentary funded audits, and a one-off payment of £1,500 made to more junior colleagues in line with the approach adopted in the Civil Service. These additional resources were used entirely for the purposes intended.

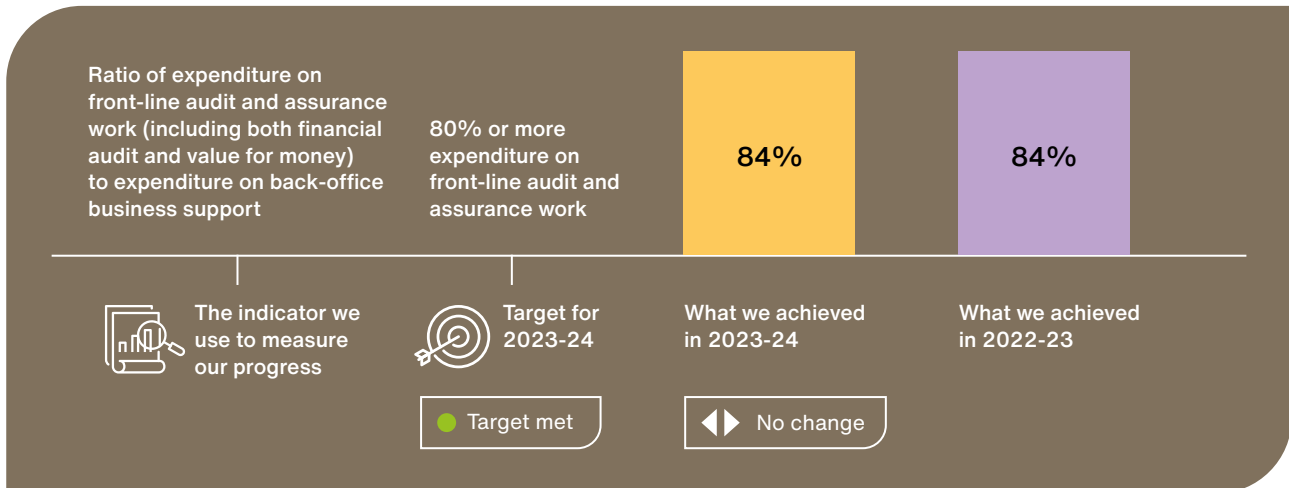
We also made an adjustment to reduce our capital budget by £0.5 million to reflect a rescheduling of planned work in response to supplier capacity. This work is now taking place in 2024-25.

Assets and liabilities

The assets and liabilities of the NAO are set out in the Statement of Financial Position in the Financial statements. This shows that our net assets (property, amounts due in respect of audit fees and amounts payable to employees and suppliers) increased by £3.8 million, from £91.8 million at 31 March 2023 to £95.6 million at 31 March 2024.

The change in net asset value was driven by the following:

- An increase in our non-current assets of £1.5 million which reflects an increase in value of our London office by £0.6 million in the last 12 months as market sentiment has improved, and other capital investments of £0.9 million including completion of the Newcastle fit out, purchase of IT equipment, and the continued development of new audit software, off-set by depreciation. Our main assets are our London office, held on a very long peppercorn lease, and our Newcastle office, held on a 10-year lease from 2023.
- An increase in our current assets of £0.2 million, reflecting changes in the timing of payments from audit bodies invoiced as well as other debtors.
- A reduction in liabilities of some £2.1 million, reflecting the timing of payments due from audit bodies and tenants in our building, and payments due to our suppliers. A significant part of this reduction is because the volume of activity at year end has fallen as our role in certifying Agricultural Funds from the European Union comes to an end.



Effective use of resources

We continue to focus on our own productivity. We ensure that at least 80% of our budget is spent on front-line audit with amounts spent on back-office functions kept as low as possible.

Each year we gain external assurance on the efficiency and effectiveness of our operations. This year, the Public Accounts Commission (TPAC) agreed to a review of our ATP by Crowe UK, our external auditors. Crowe UK concluded that our investment in ATP was value for money and added that it was, in multiple aspects, an “exemplar in programme delivery and partnership working”. Crowe UK has completed similar other studies of our operations in recent years, including our financial audit work, finance and human resources functions, concluding that these worked effectively for our organisation.¹²

Resources for future years

TPAC approved our budget for the year ending 31 March 2025, a net resource requirement of £101.9 million, after allowing £28.6 million of income, a £4.3 million capital budget and a £101.5 million net cash requirement. Our continuing priorities for 2024-25, the final year of the resourcing of our current strategy, are to:

- ensure that the quality of our financial audit work consistently meets strengthened regulatory standards and the expectations of our teams and audited bodies;
- restore the timeliness of audit certifications to pre-pandemic levels;
- respond to the needs of Parliament and the public through a balanced programme of VFM reports covering all the main spending departments and addressing the long-term challenges and opportunities for government; and
- invest in technology to ensure that our audit and assurance work can draw on cutting-edge data analytics and machine learning techniques; as well as making sure that our security around large public sector datasets is strong to meet ever increasing cyber threats.

Figure 6 shows our expenditure over the last five years and our spending plans for the next three.

¹² We publish these external auditor reports on our website at: [Governance and transparency – National Audit Office \(NAO\)](#).

Figure 6

National Audit Office (NAO) resources from 2019-20 to 2026-27

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Audit and assurance work	91.3	98.5	103.6	109.7	122.0	130.5	134.7	135.3
Less: income	23.0	24.6	25.4	26.7	29.7	28.6	30.5	32.2
Net resource expenditure	68.3	73.9	78.2	83.0	92.3	101.9	104.2	103.1
Capital expenditure	1.0	1.1	1.9	8.4	3.0	4.3	3.0	3.6

Note

1 Numbers are shown in nominal terms and do not consider inflation over this period.

Source: National Audit Office analysis of financial data

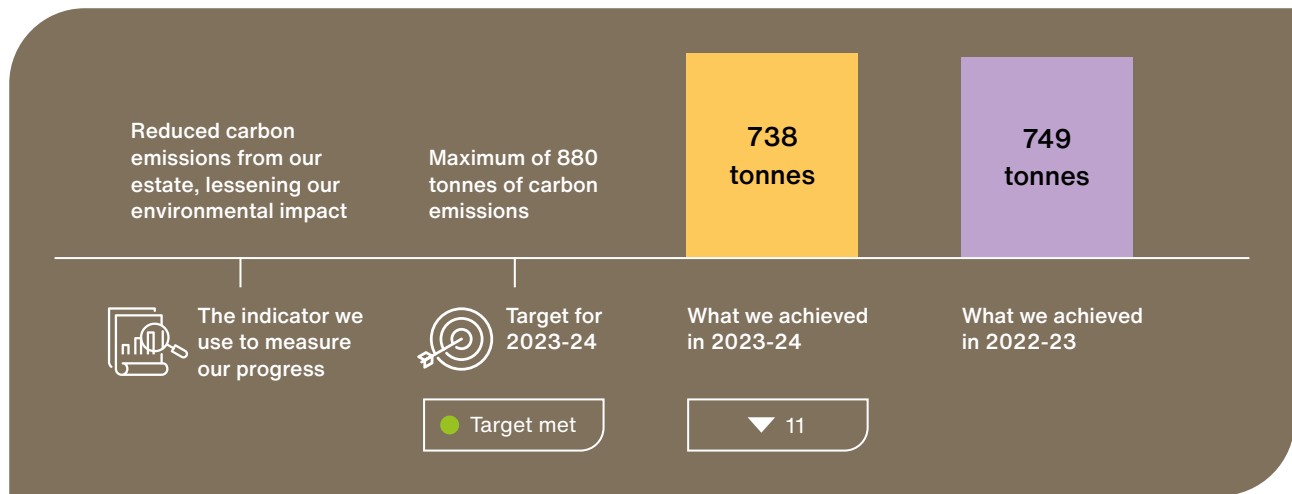
The growth in resource expenditure and budget since 2019-20 reflects:

- additional audit responsibilities, including new audit engagements and our audits of the government's response to the COVID-19 pandemic.
- increasing complexity of audit work in response to strengthened regulatory standards, which means that it takes longer and costs more to do, and our strategic response to invest in our ATP; and
- higher inflation in recent years, which has increased audit firm and supplier costs.

Our capital expenditure was higher in 2022-23 because we entered a new office lease in Newcastle. Our future capital plans include funding for the refurbishment of our London office to improve its efficiency and effectiveness, some 15 years since the office was last updated.



Reducing our environmental impact



Note

1 We operated two Newcastle office leases for a temporary five-month period in 2023-24 as we transferred from one building to another as part of our move to new and more energy efficient premises. Our emissions calculation includes the temporary holding of two leases.

Our net zero target

We aim to achieve net zero carbon emissions from our estate by 2029 by removing our reliance on gas to heat our buildings and water, and only purchasing electricity from renewable sources. We also aim to reduce the carbon that comes from our wider operations (business travel, waste, suppliers, commuting and home working). We will consider in due course whether to balance any remaining emissions by enhancing carbon sinks.

Greening Government Commitments

The Greening Government Commitments describe the actions that UK government departments and their agencies will take to reduce their impacts on the environment in the period 2021 to 2025. We are using these commitments to guide our work to reduce our environmental impact (**Figure 7**). We comply with environmental legislation and assess our impact using an ISO 14001:2015 certified environmental management system. Our full sustainability data are included in the Annex to this report.

We aim to achieve net zero carbon emissions from our estate by 2029 by removing our reliance on gas to heat our buildings and water, and purchasing electricity from renewable sources only

Figure 7

National Audit Office (NAO) progress against the Greening Government Commitments, 2023-24



Commitment	Sub-commitment	Progress	Commentary
 A Mitigating climate change: working towards net zero			
Reduce the overall greenhouse gas emissions, and direct emissions from estate and operations, from a 2017-18 baseline.		In progress	A 50% reduction in Scope 1 and 2 greenhouse gas emissions since 2017-18. Currently collecting data on Scope 3 greenhouse gas emissions.
	Reduce emissions from domestic business flights by at least 30% from a 2017-18 baseline, and report the distance travelled by international business flights.	Target achieved	Domestic business flight emissions reduced by 65% on 2017-18. Travelled 429,769 miles (691,646 km) by international business flights.
	Update organisational travel policies so that they require lower-carbon options to be considered first as an alternative to each planned flight.	Target achieved	NAO travel policy updated. Further policy improvements to be implemented in 2024-25.
 B Minimising waste and promoting resource efficiency			
Reduce the overall amount of waste generated by 15% from a 2017-18 baseline.		Target achieved	A 25% reduction since 2017-18. Waste generation increased slightly in 2023-24 because of the fit out of the new Newcastle office.
	Reduce the amount of waste going to landfill to less than 5% of overall waste.	Target achieved	No waste to landfill.
	Increase the proportion of waste which is recycled to at least 70% of overall waste.	Target achieved	77% of waste recycled.
	Remove consumer single-use plastic from the central government office estate.	In progress	Our waste policy mandates the removal of single-use plastics. We are working with suppliers and are continuing to refine our approach.
	Measure and report on food waste by 2022.	Target achieved	Food waste is measured. A 69% reduction since 2017-18.
	Reduce paper use by at least 50%.	Target achieved	An 83% reduction in paper purchased since 2017-18.
	Report on the implementation of waste re-use schemes.	Target achieved	Our waste is sorted on-site and taken to be recycled. 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.

Figure 7 *continued*

Progress against the Greening Government Commitments, 2023-24







Commitment	Sub-commitment	Progress	Commentary
 C Reducing our water use			
Reduce water consumption by at least 8% from a 2017-18 baseline.		Target achieved	A 36% reduction since 2017-18.
	Ensure all water consumption is measured.	Target achieved	All water consumption is measured.
	Provide a qualitative assessment to show what is being done to encourage efficient use of water.	Target achieved	A water policy is in place for both offices. We have several water-saving initiatives, including leak detection systems, dual flushing buttons and rainwater harvesting.
 D 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.		In progress	A lot of NAO procurement is through government frameworks, which apply the government's sustainable procurement buying standards and sustainability criteria. When we run a full competitive tender, suppliers are assessed in line with these standards and criteria (for example, the NAO applies a 10% weighting on social value, including environmental benefits, for its strategic contracts). We also work with our strategic supply chain to influence behaviours and suppliers are now asked to provide annual emissions data to inform our management approach.
 E Nature recovery: making space for thriving plants and wildlife			
Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver nature recovery plans for their land, development and operations. All other organisations should consider what they can do to support this commitment.		Target achieved	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.

Figure 7 *continued*

Progress against the Greening Government Commitments, 2023-24

Commitment	Sub-commitment	Progress	Commentary
 F Adapting to climate change			
Develop an organisational Climate Change Adaptation Strategy across estates and operations.		In progress	We have completed a Climate Change Risk Register, and are taking steps to mitigate risks identified.
	Establish clear lines of accountability for climate adaptation in estates and operations and engage in wider governance and risk structures when appropriate.	Target achieved	The Net Zero Carbon Project reports to the Executive Team, the Board and its Audit and Risk Assurance Committee on climate change adaptation.
	Transparent reporting – provide a summary of how we are developing and implementing a Climate Change Adaptation Strategy.	In progress	A Climate Change Aspect Assessment is being used to monitor changes to risks for the NAO and the required adaptation strategies to mitigate their impact.
 G Reducing environmental impacts from ICT and digital			
Report on the adoption of the ‘Greening government: ICT and digital services strategy’ and associated targets, and provide membership to the sustainable technology advice and reporting team.		Target achieved	We have established a baseline carbon footprint for our digital service and are now receiving data from Microsoft on our carbon usage for Azure cloud services. We continue to be members of the Government’s Sustainable Technology Advice and Reporting Team (STAR) and have extended the period over which we use technologies such as laptops, working with suppliers to increase warranties.
 Other reporting: sustainable construction			
Where significant construction or refurbishment projects have been undertaken during the reporting period.	Explain how sustainability was embedded into the selection and contracting process for the main contracting parties. Compare the success of any projects to standards for construction and refurbishment projects.	Target achieved	In May 2023 we moved to a different Newcastle office, a new building rated BREEAM ‘Excellent’ and with an energy performance rating of ‘A’. We calculated that this exercise created 53.8 tonnes of CO ₂ e, which was shown to be low in comparison with similar refurbishment projects. We used materials from recycled sources and re-used existing furnishings where possible. The Government Buying Standards were followed for electrical equipment, lighting, paints, varnishes, wood products, furniture and textiles.

Notes

- 1 In relation to Commitment A, the National Audit Office does not have car fleet and does not compensate for carbon emissions.
- 2 The Annex provides more detailed sustainability data.

Source: National Audit Office analysis of environmental data

Aligning with the Task Force on Climate-related Financial Disclosures (TCFD)

Central government, led by HM Treasury, is introducing a three-year phased plan from 2023-24 for public bodies that fall within the scope of the Greening Government Commitments to align their sustainability reporting with TCFD criteria. These criteria cover four themes relating to governance, strategy, risk management, and metrics and targets. The first year of the HM Treasury plan requires in-scope public bodies to report climate-related governance and category b (emissions levels) disclosures under the 'Metrics and targets' theme on a comply or explain basis. We have elected to apply these requirements voluntarily and plan further disclosures in future reporting years in line with the government's timetable.



Governance disclosures

The functions of the NAO Board, its sub-committees and the Executive Team are described in the Accountability report. Their role in relation to climate risks and opportunities is as follows:

- The NAO Board reviews overall progress in reducing carbon emissions in line with our net zero objectives and receives an annual update, using this to challenge and advise the Executive Team.
- The NAO's Executive Team has operational responsibility and its Executive Director for Strategy and Resources is the lead member (and member of the Board) accountable for sustainability.
- The Sustainable Office Group (SOG), which meets quarterly and is chaired by the Executive Director for Strategy and Resources, advises the Executive Team on the sustainability of our estate and operations, the NAO's environmental policy and plans, and ensuring that we meet environmental statutory requirements.
- The Net Zero Carbon project, part of our portfolio of strategic change projects, is leading the implementation of measures to reduce our carbon from our estate and operations. The Executive Director for Strategy and Resources is the senior responsible owner of this project, ensuring a strong link to the Executive Team and Board.
- The Executive Director and member of the Executive Team responsible for our VFM and wider assurance work leads our VFM audit programme on environment and climate change.

The Executive Team has identified and is managing a strategic risk that we fail to achieve our net zero carbon target for our estate. The Executive Team judged that this risk was at a tolerable level in 2023-24 (see Accountability report below on how risks are managed). Our progress depends on being able to install low-carbon heat pumps in our London office to reduce carbon from our estate (Scopes 1 and 2).¹³ We are working with technical experts to help us on this.

13 Carbon emissions are classified into different types. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the purchase and use of electricity, steam, heat and cooling. Scope 3 includes all other indirect emissions that occur in the upstream and downstream operations of an organisation (for example, business travel, employee commuting, suppliers).



The Net Zero Carbon project has also developed a Carbon Reduction Pathways Plan. Aside from our work exploring the viability of heat pumps, our wider, non-estate (Scope 3) emissions are our biggest area of challenge. In 2023-24, we worked with our suppliers to identify carbon from our supply chain and devised new service level agreements. We also improved the quality of our data on emissions from commuting and from working at home and business travel.

Metrics and targets disclosures

The metrics that we use to track our sustainability performance over time are shown in the Annex. These cover financial and non-financial greenhouse gas emissions, waste, and water indicators. Our performance is also shown in the Annex.

Sustainability and Net Zero project data are also submitted to senior governance forums charged with managing climate change risk and opportunity. The Executive Team receives short updates as part of its monthly balanced scorecard. It also receives more detailed quarterly reporting and an annual report in June showing the progress of the Net Zero Carbon project. The June report is also submitted to the Board.

More strategically, we have taken steps to quantify and measure the risks to us from climate change. In 2023-24, we completed a Climate Change Aspect Assessment for our estates and operations which examined our ability to deal with hotter drier summers, warmer wetter winters and rising sea levels. This work has underpinned our Climate Change Risk Assessment.

Sustainability assurance

We have an important part to play in ensuring that the overall system of public sector sustainability reporting and assurance is useful and proportionate. In 2023-24, the Executive Team and Board agreed to increase our capacity and capability to conduct sustainability assurance work. Building a multidisciplinary team from 2024-25 will help us take forward a coordinated programme of work to support government and influence developments in this area. More generally, we expect climate change to be an important theme in our new strategy from 2025.

Gareth Davies
Comptroller and Auditor General

28 June 2024

Accountability report



Corporate governance report

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

Directors' report

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

Register of interests

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

Pension liabilities

Most past and present NAO employees are covered by the provisions of the Principal Civil Service Pension Scheme and, more recently, the Civil Servants and Others Pension Scheme. Both are defined benefit schemes. Employees may opt to join a personal stakeholder pension scheme instead, providing it 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 (page 106).

Personal data incidents

No protected personal data-related incidents were reportable to the Information Commissioner's Office in 2023-24.

Auditor of the NAO

The Public Accounts Commission (TPAC) re-appointed Crowe UK LLP as our external auditor on 6 March 2024. In addition to the audit of our annual accounts, Crowe UK LLP undertakes a value-for-money (VFM) review 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 (page 112).

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 44. Additional information is included in the Remuneration and staff report, which begins on page 83. Future developments affecting our business are disclosed in the Performance report under 'Financial performance', which starts on page 54.

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, and the resources it has

used during that 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 issued by HM Treasury, and have:

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

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

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

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

Gareth Davies
Comptroller and Auditor General

Governance statement

As Accounting Officer, and working together with the NAO Board, I have responsibility for maintaining effective governance, risk management 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, 24(1) of the Act requires the NAO to prepare resource accounts.

The NAO Board and Executive Team

Dame Fiona Reynolds

Non-executive director | Chair of the NAO Board

Appointed: 10 January 2021. Dame Fiona was reappointed for a second three-year term commencing on 10 January 2024



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.

Gareth Davies

Comptroller and Auditor General | NAO Board | Chair of the 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. He is a non-executive board member of the INTOSAI Development Initiative (IDI) which supports Supreme Audit Institutions in developing countries to sustainably enhance their performance and capacity.

Gaenor Bagley

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

Appointed: 1 January 2021. Gaenor was reappointed for a further three-year term commencing on 1 January 2024



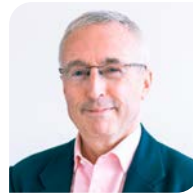
Gaenor combines a chartered accountancy qualification with extensive and innovative HR experience within a professional services environment and very strong understanding of audit and finance, merger and acquisition and

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 holds a number of non-executive appointments including Chair of the Audit Committee of Zopa Bank Ltd, non-executive director of Octopus Titan VCT, external council member and Chair of the Remuneration Committee of Cambridge University and Chair of TKAT Multi-Academy Trust.

Sir Martin Donnelly

Non-executive director | Senior independent director from 10 January 2024 | NAO Board | Chair of the Remuneration and Nominations Committee from 10 January 2024 | Audit and Risk Assurance Committee to 31 December 2023

Appointed: 1 January 2021. Sir Martin was reappointed for a further three-year term commencing on 1 January 2024



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 The Royal Anniversary Trust and the Oxford Centre for Islamic Studies, and continues to work to promote greater gender diversity in the workplace. He was President of Boeing International Europe from 2019 to 2022, and chairs the South Yorkshire Combined Authority business taskforce.

Alistair Conner

Non-executive director | NAO Board | Audit and Risk Assurance Committee | Remuneration and Nominations Committee to 31 December 2023

Appointed: 1 February 2023



Alistair is Deputy CEO of Time Partners, a specialist investment banking firm. He 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.

Hetan Shah

Non-executive director | NAO Board | Remuneration and Nominations Committee

Appointed: 25 January 2024



Hetan Shah is the Chief Executive of the British Academy, the UK's national academy for humanities and social sciences, and has previously served as Chief Executive at the Royal Statistical Society. Hetan also

has extensive experience in non-executive roles and is currently Chair of the Board at Our World in Data. He is a visiting professor at the Policy Institute, Kings College London and a fellow at Birkbeck, University of London. Hetan has extensive Board level experience including having served as Chair of the Friends Provident Foundation and Vice Chair of the Ada Lovelace Institute.

Dame Clare Tickell

Non-executive director to 9 January 2024 | Senior independent director | Chair of Remuneration and Nominations Committee | NAO Board

Reappointed in January 2020 for a final three year term ending on 9 January 2024



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.

Janet Eilbeck

Former non-executive director of the NAO Board | Chair of the Audit Quality Board

Appointed: 19 October 2022



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.

Abdool Kara

Executive director | NAO Board | Executive Team



Abdool is responsible for the NAO's work with government departments focused on local services, including housing, communities, education and health. He provides leadership on all areas of our work that touch on local government. He has over

35 years of experience working in local government and the wider public sector, including at four different councils, seven years at the Audit Commission, and a period as an advisor to the Cabinet Office. From 2009 he was Chief Executive of Swale Borough Council before joining the NAO in 2017. He is a non-executive board member of West Kent Housing Association, and sits on the Advisory Group to the Welsh Centre for Public Policy.

Catherine Hope MacLellan

Executive director | Executive Team



Catherine is responsible for the NAO's people function and leads on organisational change, learning and development, and diversity and inclusion. With an international finance and management consulting background, she moved into HR to

focus on people. Before joining the NAO in June 2023, Catherine was responsible for the strategy and rollout of national talent initiatives at NHS England. She is a keen traveller and has lived and worked across five continents, including the Middle East, Asia and Africa.

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 value for-money workstream.

Daniel is the Executive Director with responsibility for Strategy and Resources. He is the NAO's Chief Information Officer and Senior Information Responsible Owner (SIRO). Daniel is also an external member of the Audit Committee of the Office of the Auditor General Ireland. Before joining the NAO, Daniel worked in a range of sectors, including academia, management consultancy and the civil service.

Elaine Lewis

Executive director | Executive Team



In 2023-24, Elaine was responsible for the NAO's work with government departments focused on home affairs, defence and overseas matters. From January 2024 she took on a new role of Deputy Head of

Financial Audit. Elaine has experience across a range of portfolios throughout her NAO career, including defence, international, and culture, media and sport.

Kate Mathers

Executive director | Executive Team



Kate joined the Executive Team in 2017, taking on the new role of Executive Director of Financial Audit in January 2024. In this role, Kate is the member of the Executive Team responsible for leading the Financial Audit Service Line and

all matters relating to it, including audit quality. 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. Kate is a member of the Council of the Institute of Chartered Accountants in England and Wales and is an independent member of the Finance Committee of The Royal Foundation of the Prince and Princess of Wales.

Rebecca Sheeran

Executive director | NAO Board | Executive Team



Rebecca is responsible for the NAO's work with government departments focused on the UK's infrastructure as well as defence, climate change and environment. Rebecca is the Executive Team member

responsible for our VFM service line. Rebecca has worked at the NAO since 2004. Prior to joining the Executive Team she led the NAO's VFM work of the Department for Transport. She is a chartered accountant with many years' experience in both financial and VFM audit of a range of public sector bodies.

Max Tse

Executive director | Executive Team



Max is responsible for the NAO's work with departments that sit at the centre of government and leads the NAO's work developing specialist expertise and insights. He joined the NAO in 2011 and has led the NAO's value for money

audit of the Department for Work & Pensions and digital transformation in government. Before joining the NAO, Max was a consultant with McKinsey & Co. working in the UK and overseas in a range of sectors, including logistics, regulatory strategy, retail, climate finance and health. Max is a chartered accountant, certified IT auditor and PhD economist. He is based in the NAO's Newcastle office and is a trustee of the North East Law Centre.

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.

Figure 8 on pages 70 and 71 summarises our overall governance framework in 2023-24.

The Public Accounts Commission (TPAC)

The NAO is accountable to Parliament through TPAC. TPAC normally conducts two to three public sessions in Parliament per year to hold us to account. This year, TPAC held two additional sessions, first, to re-appoint Gaenor Bagley and Sir Martin Donnelly to the Board for final three-year terms from 1 January 2024 and appoint Hetan Shah as a non-executive member from 25 January 2024; and, second, to review and approve our supplementary estimate.

The NAO Board

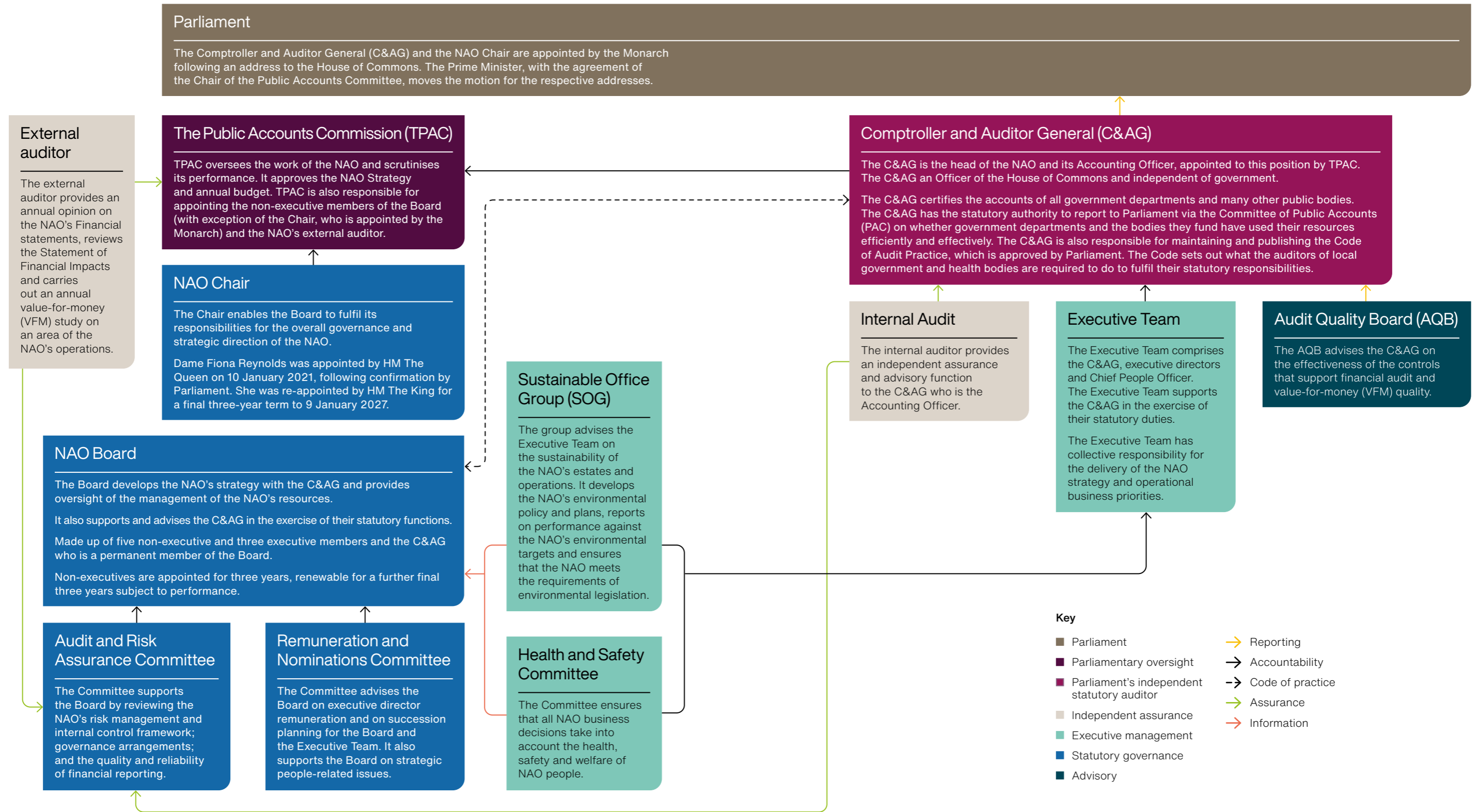
The Board shapes the strategic thinking of the NAO. It also advises the C&AG in meeting their statutory responsibilities and oversees how we use our resources. It is supported by two sub-committees to which it has delegated specific responsibilities, the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee (RemCo). A further forum, the Audit Quality Board (AQB) advises the C&AG on the effectiveness of audit quality controls.

The Board's operations are aligned with the code of good practice for corporate governance in central government departments, except for specific departures arising from the NAO's compliance with the Budget Responsibility and National Audit Act, 2011. The Senior Independent Director, Sir Martin Donnelly, holds meetings with the C&AG and other members of the Board to appraise the Chair's performance.¹⁴ The feedback on Dame Fiona's performance as Chair has been consistently positive, recognising her effective and inclusive leadership of the Board. Board agendas and minutes are published on our external website.¹⁵

¹⁴ HM Treasury and Cabinet Office, [Corporate governance in central government departments: code of good practice](#), 21 April 2017.

¹⁵ Available [here](#).

Figure 8
The National Audit Office (NAO) governance framework



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.

The Board

Overview, key decisions and priorities, by Dame Fiona Reynolds



The Board's role is to provide constructive challenge and support to the C&AG and the 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 statement on page 8 sets out, I am delighted to welcome Hetan Shah as our new non-executive member of the Board following a recruitment campaign which attracted an excellent response from high-quality candidates.

The Board held seven meetings during the year, including a strategy day. The table below summarises how we have discharged our responsibilities. One of our key priorities during the year has been to engage enthusiastically with the wide-ranging strategic review to inform the next strategy, covering the period from 2025 to 2030. We've held stimulating and rich discussions on the actions we can take to

close the gap between the ideal state for the public sector and the current reality. This includes the actions we must take to maintain our high standing among MPs in the new Parliament.

In the year ahead we will continue to challenge, support and advise the Executive Team on the quality of our audits as they implement the necessarily ambitious and comprehensive Quality First Plan. The investment in the Audit Transformation Programme (ATP) ensures we have a strong foundation to build on. In this context we were pleased with the positive assurance provided by our external auditor that the investment and ongoing expenditure on the ATP represents value for money.

I have continued my engagement with different groups of NAO staff and separately with senior officials in Whitehall. These meetings are rewarding and bring fresh perspectives on our performance. I concluded the internal Board evaluation and am pleased that overall the Board is performing well, with positive feedback on the structure, content and dynamics of Board meetings. As non-executives, we also greatly appreciate our private meetings with the C&AG. We will take forward a small number of actions for continuous improvement in the year ahead.

The Board's focus in 2023-24

Strategy	<ul style="list-style-type: none"> Reviewed and discussed the outcomes of the different phases of the strategic review to inform the development of the 2025-2030 strategy.
Quality	<ul style="list-style-type: none"> Challenged, supported and advised the Executive Team on the actions arising from the disappointing results of the 2021-22 inspection report by the Financial Reporting Council. Endorsed the direction of travel of the Quality First Plan, which is the NAO's strategic response to review findings.
People	<ul style="list-style-type: none"> Approved the diversity pay gap report, noting the good progress made in improving female representation at senior levels. However, more progress is required to close the ethnic minority pay gap.
Finance	<ul style="list-style-type: none"> Approved the 2023-24 Supplementary Estimate covering machinery of government changes, additional work on financial audit certification and costs relating to the implementation of the pay review for audit staff. Approved the 2024-25 Strategy update and Estimate covering additional staff to build skills in critical business areas, an increase in our graduate intake to build our future capacity, and plans to refurbish the NAO's London office to improve collaborative workspace.
Sustainability	<ul style="list-style-type: none"> Reviewed the excellent annual net zero report and commented that many of the deficiencies highlighted in meeting Scope 3 emissions remain outside the NAO's control despite our determination to lead by example.
Performance and risk/ major projects	<ul style="list-style-type: none"> Reviewed progress against our performance framework and carried out deep dives on key performance indicators rated Amber. Reviewed risks informed by ARAC's oversight in this area. Reviewed progress on key ATP milestones.
Governance	<ul style="list-style-type: none"> Reviewed our terms of reference to reflect changes over time in Board practice. We increased the threshold for Board approvals to reflect the impact of inflation over time.

Audit and Risk Assurance Committee

Overview by Gaenor Bagley, non-executive Chair



The Audit and Risk Assurance Committee (ARAC) provides assurance to the Board that the NAO's 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.

I have pleasure in presenting ARAC's activities for the year ended 31 March 2024. ARAC is composed solely of non-executive members in addition to Richard Cartwright who is an independent external member. I am delighted that the Board agreed to extend Richard's term to December 2026 so that we continue to benefit from his expertise and

knowledge. I would like to thank Sir Martin Donnelly for his excellent contribution to the Committee since 2022. He stepped down in January 2024 to take on the role of Chair of RemCo.

ARAC held four meetings during the year. The table below summarises how we have discharged our responsibilities. A key priority during the year has been to ensure the smooth completion of the tender for the external audit contract. The selection panel, which I chaired, was pleased that TPAC approved our recommendation, via the Board, to re-appoint Crowe as the NAO's external auditor from 1 April 2024. One of our priorities for the year ahead is to work closely with Crowe to ensure a smooth handover of engagement partners. We completed phase 2 of our effectiveness review using the NAO's own toolkit for ARACs and I am pleased to report that the Committee is meeting or exceeding all the requirements in the toolkit. We will take forward a small number of actions for continuous improvement in the year ahead.

ARAC's focus in 2023-24

Financial reporting	<ul style="list-style-type: none"> Approved the accounting policies for 2023-24.
External audit	<ul style="list-style-type: none"> Recommended the re-appointment of Crowe as the NAO's external auditor for a contract of three years with the possibility of two one-year extensions. Discussed the conclusion, findings and management's response to the recommendations for improvement arising from the external VFM review of the NAO's ATP. Reviewed the performance of the external auditor and concluded there were no issues to bring to the Board's attention.
Internal audit	<ul style="list-style-type: none"> Discussed the conclusions from internal audit's 2023-24 operational plan and endorsed management's response to the actions for improvement arising from the three reports which received limited assurance opinions. Approved the 2024-25 internal audit operational plan.
Risk management and internal control	<ul style="list-style-type: none"> Received the risk highlights note at each of our meetings and discussed management's assessment of the appropriateness of current, target and critical threshold risk ratings. Carried out seven deep dives on risks close to their critical thresholds to review and advise on actions to bring these risks closer to target. Carried out a deep dive on the control and assurance framework for the NAO's finance applications. Recommended to the Board the approval of revised contract and approval thresholds.
Fraud and internal whistleblowing	<ul style="list-style-type: none"> Reviewed the NAO's counter-fraud plan and concluded that the plan provides a robust framework for detecting, responding to and registering fraud. Noted there were no internal whistleblowing concerns raised during the year.
ARAC governance	<ul style="list-style-type: none"> Completed phase 2 of the Committee's effectiveness review and completed the implementation of actions for improvement from phase 1.

Remuneration and Nominations Committee

**Overview by Sir Martin Donnelly,
non-executive Chair and Senior
Independent Director**



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 activities for the year ended 31 March 2024. I have been a member of the Committee since 2021 and succeeded Dame Clare Tickell as Chair following her retirement from the Board in January 2024. Clare was an outstanding Chair of the Committee during her tenure. RemCo is composed solely of non-executive members in

addition to the C&AG, who is a permanent attendee. I was delighted to welcome Hetan Shah as the new member of the Committee following his appointment to the Board. Alistair Conner served on the Committee for the first half of the year as part of his induction as a Board member.

RemCo held two meetings during the year. The table below summarises how we have discharged our responsibilities. In the year ahead, which is the last year of the current 2020-2025 strategy, we will continue to support and advise the Executive Team on ambitious people priorities. These include new skills and expertise requirements, technological opportunities, lessons learned from the culture conversations as well as wider societal issues affecting the workplace. We will also plan for the Board's medium- to long-term succession. There are no issues to report on the Committee's performance during the year following Dame Fiona Reynolds' internal Board evaluation.

RemCo's focus in 2023-24

Pay framework	<ul style="list-style-type: none"> Endorsed the successful conclusion of the corporate services pay review.
Pay award	<ul style="list-style-type: none"> Advised the Board on the 2024-25 pay award informed by the trends in the external market including data on our attrition rates and the strength of the NAO's brand as an employer. Agreed the C&AG's recommendation for the remuneration of each of the executive directors in 2024-25 based on their interim and year-end performance.
People	<ul style="list-style-type: none"> Advised the C&AG and the Chief People Officer on people priorities in 2024-25 and beyond. Monitored the results of the quarterly people survey and actions arising.
Non-executive succession	<ul style="list-style-type: none"> Discussed lessons learned from the recent non-executive campaign to inform the Board's medium- to long-term succession, including our preparedness for a new generation of non-executives.

Audit Quality Board

Overview by Janet Eilbeck, independent non-executive Chair



The Audit Quality Board (AQB) is an advisory committee to the C&AG which challenges the effectiveness of our system of quality management for our financial audit and VFM work.

I am pleased to present my report of the AQB's activities during 2023-24. I chair the AQB, working with Gaenor Bagley and the C&AG. The AQB is supported in its work through the attendance of appropriate NAO colleagues, including the executive directors and directors responsible for our financial audit and VFM service lines.

During 2023-24, the AQB met five times and continues to support the C&AG as we identify and address the audit quality challenges facing the NAO. The table overleaf summarises how we have discharged our responsibilities. A key priority during the year has been to ensure our system of quality management is embedded, to oversee the emerging issues from external and internal inspections of

our financial audit work, and the effectiveness of our plans to address concerns raised. In the year ahead, we will continue to support the C&AG in his implementation of improvements and will continue to monitor delivery of the benefits from the ATP. There are no issues to report on the AQB's performance during the year.

The AQB has made a positive contribution to improving the NAO's quality risk analysis during 2023-24. The NAO's financial audit quality assessments (relating to our 2021-22 financial audits), which were concluded during the year, have not been as positive as we and the NAO would have liked to see. The recently launched Financial Audit Quality First Plan promises a step change in audit quality, enabled by new technical and methodological processes, new audit software ensuring greater consistency in the way auditors document their work, and refreshed training with a stronger emphasis on culture and engagement. Our VFM work continues to provide a positive and effective platform to support Parliament's scrutiny of government programmes which generates impacts for the taxpayer. More detail on the work of the AQB is provided in our Transparency Report.

Continued →

AQB's focus in 2023-24

VFM quality	<ul style="list-style-type: none"> Contributed to the development of revised VFM standards and internal quality assurance procedures. Reviewed the conclusions from the internal and external cold review programmes of a sample of our VFM reports.
Our financial audit system of quality management	<ul style="list-style-type: none"> Reviewed and challenged our framework underpinning our system of quality management. Tested the framework by reviewing components of the system, for example, on performance engagement.
Financial audit quality	<ul style="list-style-type: none"> Monitored the outcomes from the internal and external inspection programmes and the themes arising from these reviews, including key reports from the Financial Reporting Council and TPAC's oversight of the quality of our work. Reviewed possible root causes behind our quality outcomes.
Financial audit quality plans	<ul style="list-style-type: none"> Reviewed progress against the single financial audit quality plan for 2023. Reviewed and challenged ambitions for the Quality First Plan for 2024. Discussed our learning and development strategy and future training plans. Emphasised the importance of our culture in further embedding a quality and sceptical mindset as staff progress their audit work.
Implementing our ATP	<ul style="list-style-type: none"> Reviewed risks and the effectiveness of management's actions as we implemented the ATP phases. Reviewed NAO's plans for related training programmes. Challenged our progress in realising the expected benefits to be seen in the quality of our audit work.
Assessing and reporting on the quality of our work	<ul style="list-style-type: none"> We met with NAO financial and VFM service line auditors to discuss and gauge for ourselves the effectiveness of quality interventions. We attended training for our VFM auditors and have discussed with the NAO's Chief People Officer our wider learning and development plans for our people and raising the importance of a quality culture throughout the NAO. Met the AQB's secretariat and other senior staff frequently to discuss our agenda and emerging themes. We oversaw the structure, content and messages within our annual Transparency Report, which was published in November 2023. We saw the evolution of a programme of audit quality indicators.

Executive Team

The Executive Team, led by the C&AG as Head of the NAO, is collectively responsible for the delivery of the NAO strategy and its operational business priorities.

Executive Team

Overview by Gareth Davies



In 2023-24, the Executive Team, which I chair, comprised the six executive directors and, from June 2023, the Chief People Officer. Executive directors and the Chief People Officer each have functional responsibility for

an area of work that is crucial to the delivery of our strategy. Each was also accountable for one of six individual groups that made up the NAO.¹⁶

We met regularly as an Executive Team.

- Monthly, to provide strategic and operational leadership and to determine the goals for our organisation.
- More frequently, usually daily, to receive updates from different areas of the organisation and make operational decisions, and to keep up to date with developments in individual groups and functional areas.

As an Executive Team, we received regular financial and performance information and internal and external feedback to help us assess our progress in implementing our Strategy, our change programme and organisational development plan. We used this information to examine the progress of our financial audits and agreed additions and revisions to our programme of VFM and wider assurance work, aligning operational and resource plans with our priorities for these services.

During 2023-24, we oversaw the finalisation of new pay frameworks for NAO colleagues, developed and implemented our structural and operational response to challenging feedback on our financial audit quality, endorsed the case for gradually bringing more of our financial audit work in-house in response to market developments, considered our approach to developments in artificial intelligence and sustainability reporting, received updates on our digital and information security plans and commissioned and monitored progress on our strategic review before we launch our new five-year strategy in April 2025.

¹⁶ Accountability for the Corporate Group is split between the Executive Director for Strategy and Resources and the Chief People Officer.

Attendance at the Board and its committees is shown in **Figure 9**.

Figure 9

Attendance at the National Audit Office (NAO) Board and committees, 2023-24

Attendance was high across all meetings

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

Notes

- Dame Clare Tickell's term ended on 9 January 2024.
- Hetan Shah was appointed from 25 January 2024.
- Sir Martin Donnelly left the Audit and Risk Assurance Committee to become Chair of the Remuneration and Nominations Committee from 10 January 2024.
- The Chair of the Audit and Risk Assurance Committee has agreed that the Comptroller and Auditor General's permanent attendance at this Committee means that an additional financially qualified executive director does not also need to attend. In practice, Kate Mathers attended one Audit and Risk Assurance Committee meeting in full and another meeting in part in relation to the item on the external auditor's review of the Audit Transformation Programme.
- Alistair Conner left the Remuneration and Nominations Committee and was replaced on the Committee by Hetan Shah from 25 January 2024.
- Dame Fiona Reynolds went to the Remuneration and Nominations Committee in an attendee capacity only.

Source: National Audit Office analysis of meeting attendance records

Risk management and control

Our risk management framework and processes are aligned with principles set out in HM Treasury's Orange Book (Figure 10).¹⁷

Figure 10

National Audit Office (NAO) risk management process, 2023-24

We identify, evaluate, respond to, and report on and monitor risks



Notes

- 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, the Audit Transformation Programme).
- 2 We conduct an annual risk stocktake to consider risk comprehensively and identify those risks that should move on or off the corporate risk register.

Source: National Audit Office risk management framework

¹⁷ Government Finance Function and HM Treasury, *Orange Book: Management of risk – Principles and Concepts*, May 2013, updated May 2023.

Review of strategic risks

At 31 March 2024, and following an autumn 2023 stocktake, 11 risks were at or below target level and considered satisfactory based on how likely they were to occur and what their impact would be if they did (**Figure 11**). Some 13 risks were above target level and of concern, with four of the 13 on the critical threshold boundary. Figure 11 also shows how our assessment of risks has changed in the year (for example, where we assess that a risk has either become more or less likely to occur, or, if it did, that its impact would be different).

For risks that are above where we want them to be, we take further mitigating actions to bring them back towards a satisfactory level. Key mitigations for the four risks at a critical threshold level in March 2024 include the following.

- **Financial audit quality:** Implementing our new Quality First Plan.
- **Sickness absence, mental health and wellbeing:** Increasing our monitoring and reporting, refining our wellbeing arrangements, providing further training and support to managers and drawing on our Occupational Health provider.
- **Information security:** Continuing to increase awareness through regular phishing simulation exercises and mandatory training for colleagues, and through preventative controls to stop threats. The increasingly sophisticated threat means that we expect this risk to remain high.
- **Digital data loss:** Providing mandatory training and clear communications to colleagues and implementing a comprehensive prevention strategy supported by several new tactical controls.

Review of effectiveness of system of risk management and internal control

As Accounting Officer, the C&AG has responsibility for reviewing the effectiveness of the system of risk management and 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:

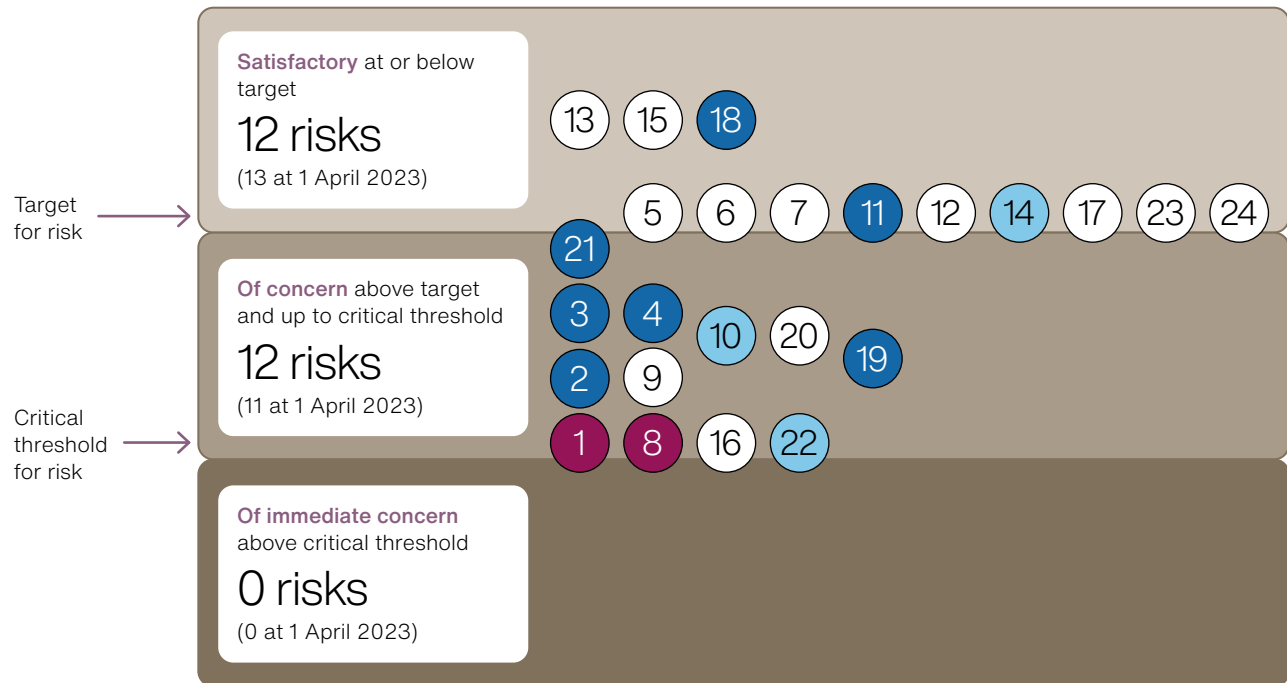
- delivering an annual operational plan for 2023-24, approved by the Executive Team and ARAC, set against a detailed Audit Needs Assessment to prioritise activity over a three-year planning period, and designing an internal audit strategy and annual operational plan;
- consistently applying a risk-based 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 22 individual assurance assignments, together with advisory support and, where appropriate, agreeing an action plan with system owners to secure improvements; and
- monitoring the implementation of internal audit recommendations throughout the year and assessing the progress as reasonable.

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

The Board keeps its internal control arrangements under review in response to internal and external developments. The Board receives an update from the chair of the ARAC after each meeting and also receives the Internal Audit Annual Report from the DIAA.

Figure 11

Spread of National Audit Office (NAO) strategic risks against target and critical thresholds, 31 March 2024



Movement in year

- No movement
- Increased rating
- Decreased rating
- New risk in year

Quality risks

- 1 Financial audit quality
- 2 Value for money (VFM) quality

People risks

- 3 Diversity of talent
- 4 Inequitable pay
- 5 Engagement with learning and development (amended from personal development)¹
- 6 Health and safety
- 7 People engagement
- 8 Sickness absence, mental health and wellbeing
- 9 Inclusion

- 10 Meeting continuous professional development requirements (New)

Impact risks

- 11 Financial impacts target
- 12 Public reputation
- 13 Parliamentary impact/influence
- 14 Impact on government (New)

Delivery risks

- 15 Operational resilience
- 16 Information security
- 17 Work programme
- 18 Ways of working
- 19 Efficient delivery of financial audit (expanded from delivery of financial audits)¹

- 20 Delivery of the Audit Transformation Programme
- 21 Management of contracted-out audits

- 22 Digital data loss (New)

Financial and natural resources risks

- 23 Outturn not within budget²
- 24 Net zero carbon (amended from natural resources)¹

Risks removed from main risk register during the year³

- Knowledge and skills
- Change management
- Ineffective or inefficient use of resources

Notes

- 1 These risks were renamed during the year, following the annual risk stocktake. There were no changes to the risk ratings as result of these updates.
- 2 Target increased during the year to reflect that we have chosen to take a higher risk approach to budget management for 2023-24 and 2024-25. Risk was on its respective target on 1 April 2023 and 31 March 2024.
- 3 Risks removed in year were in the satisfactory category and continue to be monitored within the NAO's Corporate Group.
- 4 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. Risks are owned by individual members of the Executive Team and are assigned a current rating, after mitigations, based on five-point scales of probability and impact.
- 5 We also assign each risk a target and critical threshold rating. We use this to make explicit our risk tolerance. A risk that is above target but below the critical threshold is categorised as of concern. A risk that is above the critical threshold is considered of immediate concern.
- 6 The colour of circles indicates movement in the risk (for example, we judge that the risk has become more or less likely and/or its impact more or less severe) between 1 April 2023 and 31 March 2024. See the key above.

Source: National Audit Office analysis of risk register

Internal control weaknesses

There were no significant weaknesses in our system of internal controls in 2023-24 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. There were no internal whistleblowing concerns raised during the year (2022-23: one case was concluded following a concern raised at the end of 2021-22 and another case was concluded during the year).

External complaints

Anyone who encounters the NAO and is unhappy or dissatisfied can complain. We publish our complaints policy and three-stage process on our website.¹⁸

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 not involved with the case. In the final stage of our process, the complaint is considered by a member of the Executive Team. In 2023-24, we processed 15 complaints. We resolved seven at stage 1, four at stage 2 and four at stage 3. No complaints were carried over to 2024-25.

Gareth Davies
Comptroller and Auditor General

28 June 2024

18 National Audit Office, [Complaints policy](#).

Remuneration and staff report

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

Remuneration policy for senior management

Comptroller and Auditor General (C&AG), and National Audit Office (NAO) Chair

The Prime Minister and the Chair of the Committee of Public Accounts jointly determine the remuneration of the C&AG and the NAO Chair. In accordance with the provisions of Part 2 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

The Public Accounts Commission (TPAC) approves the remuneration of the non-executive Board members on the recommendation of the NAO Chair. The remuneration paid to non-executive Board members is non-pensionable.

Executive Team

The NAO's Remuneration and Nominations Committee (RemCo) agrees the remuneration of the Executive Team on the recommendation of the C&AG. Some members of the Executive Team are also executive members of the Board but do not receive additional remuneration for this role. During 2023-24, Daniel Lambauer, Rebecca Sheeran and Abdool Kara were executive members of the Board. **Figure 12** (audited) overleaf shows total remuneration, and its components, for the NAO Board and Executive Team.

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred by the NAO and treated by HM Revenue & Customs (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 12 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 is met by the NAO.

The benefits in kind disclosed for non-executive members of the Board in Figure 12 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)

C&AG

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.

Figure 12

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	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Dame Fiona Reynolds, NAO Chair	40–45	40–45	4,000	4,600	–	–	45–50	45–50
Gaenor Bagley	20–25	20–25	1,300	500	–	–	20–25	20–25
Alistair Conner (from 1 February 2023)	20–25	0–5 (full-year equivalent 20–25)	100	100	–	–	20–25	0–5 (full-year equivalent 20–25)
Sir Martin Donnelly	20–25	20–25	2,600	1,400	–	–	20–25	20–25
Janet Eilbeck ² (to 18 October 2022)	–	10–15 (full-year equivalent 20–25)	–	–	–	–	–	10–15
Hetan Shah (from 24 January 2024)	0–5 (full year equivalent 20–25)	–	–	–	–	–	0–5 (full-year equivalent 20–25)	–
Dame Clare Tickell (to 9 January 2024)	15–20 (full year equivalent 20–25)	20–25	–	–	–	–	15–20 (full-year equivalent 20–25)	20–25
Executive Team								
Name	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Gareth Davies, Comptroller and Auditor General (C&AG)	225–230	220–225	–	–	–	–	225–230	220–225
Abdool Kara ³	175–180	170–175	200	300	–	–	175–180	170–175
Catherine Hope-MacLellan (from 6 June 2023)	120–125 (full-year equivalent 150–155)	–	200	–	48,000	–	170–175	–
Daniel Lambauer ⁴	145–150	140–145	200	200	57,000	55,000	200–205	195–200
Elaine Lewis ⁴	130–135	125–130	200	200	28,000	1,000	160–165	125–130
Kate Mathers ⁴	145–150	140–145	200	200	92,000	8,000	235–240	145–150
Rebecca Sheeran ⁵	145–150	140–145	200	200	–	–	145–150	140–145
Max Tse ⁴	145–150	140–145	200	200	57,000	55,000	200–205	195–200

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 established in 2021. Following her retirement from the Board, the C&AG has re-appointed Janet as Chair of AQB, as an independent member. The 2022-23 remuneration figures in this table relate to the period from 1 April 2022 to 18 October 2022, after which Janet ceased to be a member of the NAO Board.
- 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, Catherine Hope-MacLellan, 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 2023-24 was £25,000 (2022-23: £21,000).

Source: National Audit Office analysis of finance data

Executive Team

Pension benefits for executive directors are provided through the civil service pension arrangements (Figure 13, audited).¹⁹

Cash equivalent transfer value (CETV)

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 from that former scheme. It is the actuarially assessed capitalised value of benefits accrued by a member at a particular point in time and includes the member's accrued benefits and any contingent spouse's pension payable from the scheme. The figures shown in Figure 13:

- 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;
- include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements; and

- include any additional pension benefit accrued to the member as a result of them 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.

Any members affected by the Public Service Pensions Remedy were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23 but are reported in the legacy scheme for the same period in 2023-24.

The real increase in CETV

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

Figure 13

Pension entitlements of members of the National Audit Office (NAO) Executive Team (audited)

	Accrued pension at pension age as at 31 March 2024 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value (CETV) at 31 March 2024	CETV at 31 March 2023	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Catherine Hope-MacLellan (from 6 June 2023)	0-5	2.5-5	45	-	36
Daniel Lambauer	35-40	2.5-5	516	425	30
Elaine Lewis	45-50 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0	912	823	10
Kate Mathers	60-65	5-7.5	1,213	1,040	73
Max Tse	40-45	2.5-5	562	465	31

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 2023-24 was £25,000 (2022-23: £21,000).

Source: National Audit Office analysis of pension data

19 Details of the civil service pension arrangements can be found at: www.civilservicepensionscheme.org.uk.

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 14**).

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 2023-24 (2022-23: 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 (2022-23: nil).

The 25th percentile, median and 75th percentile pay ratios have all decreased since last year, with the largest decrease at the 25th percentile. This is because the highest paid individual received a lower percentage pay increase than all other colleagues.

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 end of the prior year. The changes shown reflect movements in the pay, reward, grading and progression policies for NAO employees agreed with TPAC as part of the estimate process.

There has been no significant change over the last 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 employee works wholly or mainly outside the UK (2022-23: nil).

NAO staff remuneration policy

The provisions of the Budget Responsibility and National Audit Act 2011 make the NAO responsible for employing staff and require it to 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.

Remuneration is set at a level to recruit, retain and motivate qualified and high-calibre people within the budget available to the NAO.

Figure 14
Fair pay disclosures (audited)

		2023-24	2022-23
Remuneration banding for highest-paid individual (salary and allowances)		£225,000 to £230,000	£220,000 to £225,000
Percentage change from the previous financial year for highest paid individual		2.25%	0%
75th percentile	Total pay and benefits	£74,250	£68,540
	Pay ratio	3.06	3.25
Median	Total pay and benefits	£60,713	£57,500
	Pay ratio	3.75	3.87
25th percentile	Total pay and benefits	£43,081	£38,388
	Pay ratio	5.28	5.80
Average percentage change in salary and allowances from the previous financial year for all National Audit Office employees (excluding the highest-paid individual)		6.45%	2.11%
Remuneration range		£20,600–£225,000 to £230,000	£19,800–£220,000 to £225,000

Source: National Audit Office analysis of finance data

Staff numbers and related costs (audited)

Figure 15 and Figure 16 show the average number of staff employed during the year and their costs.

Staff turnover

Figure 17 overleaf shows staff turnover rates using the Cabinet Office methodology.²⁰

NAO staff pension arrangements

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), a defined benefit scheme which is divided into different sections:

- classic, premium, and classic plus, providing benefits on a final salary basis; and
- nuvos, providing benefits on a career average basis.

From 1 April 2015, a new defined benefit pension scheme for civil servants was introduced: the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career average basis. All newly appointed civil servants wishing to participate in defined benefit pension arrangements, and the majority of those already in service, joined the new scheme. Employees may also opt for a defined contribution pension with an employer contribution, called the partnership pension account (see further below).

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (ranging between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their earlier PCSPS benefits 'banked', with those in one of the final salary sections having benefits based on their salary when they leave alpha.

Figure 15

National Audit Office staff numbers (audited)

	2023-24	2022-23
Full-time equivalent permanent staff	942	909
Temporary staff	22	24
Inward secondees	1	1
Total	965	934

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 16

National Audit Office staff costs (audited)

	2023-24			2022-23		
	Total	Permanent	Temporary	Total	Permanent	Temporary
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Wages and salaries	62,428	59,035	3,393	55,493	51,978	3,515
Social security costs	7,054	7,054	-	6,421	6,421	-
Pension costs	16,019	16,019	-	14,147	14,147	-
Gross cost	85,501	82,108	3,393	76,061	72,546	3,515
Secondment income	(126)	(126)	-	(109)	(109)	-
Net cost	85,375	81,982	3,393	75,952	72,437	3,515

Source: National Audit Office analysis of finance data

20 Cabinet Office, [Turnover in the Civil Service: Guidance on calculation](#), 2019.

Figure 17
Percentage turnover by audit grade, 2023-24

Grade	Target turnover	Actual turnover	
		2023-24	2022-23
	(%)	(%)	(%)
Senior management	10	3	2
Audit Manager	7	10	13
Audit Principal/ Auditor	20	18	20
Senior Analyst	12	0	17
Analyst	16	0	15
Trainee	10	19	15

Notes

- 1 Rates rounded to the nearest whole percent. Turnover is where staff leave the NAO. The Cabinet Office second category of departmental turnover (staff leaving the civil service or a particular civil service department), does not apply to the NAO as an independent organisation.
- 2 The 'senior management' category includes directors and executive directors. The target rate applies to directors only.
- 3 In September 2023, we introduced a new Senior Audit Manager grade. The Audit Manager row includes both Senior Audit Manager and Audit Manager grades. The target rate for both is 7%.
- 4 Data are for the 12 months to 31 March 2024 and for the 12 months to 31 March 2023.

Source: National Audit Office analysis of Human Resources data

The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Figure 13 shows the accrued pension that the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but the constituent parts of that pension may be payable from different ages.

The public service pensions remedy

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback".

For members who are in scope of the public service pension remedy, the calculation of benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration as of 31 March 2023 and 31 March 2024, reflects that membership has been rolled back into the PCSPS between 1 April 2015 and 31 March 2022. In due course, members will have an option to decide whether this remedy period should count towards PCSPS or alpha benefits.

Partnership pension account

The partnership pension account is an occupational defined contribution pension and 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 the employer will also match employee contributions 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).

Further details on the civil service pension arrangements can be found here: 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 18**.

Figure 18

Compensation packages offered during 2023-24

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2023-24 (2022-23)	2023-24 (2022-23)	2023-24 (2022-23)
<£10,000	- (-)	- (-)	- (-)
£10,000–£25,000	- (-)	1 (-)	1 (-)
£25,001–£50,000	- (-)	- (-)	- (-)
£50,001–£100,000	- (-)	1 (1)	1 (1)
£100,001–£150,000	- (-)	- (-)	- (-)
£150,001–£200,000	- (-)	- (-)	- (-)
Total number of exit packages	- (-)	2 (1)	2 (1)
Total cost (£000)			104 (72)

Source: National Audit Office analysis of finance data

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 18 shows the total cost of exit packages agreed and accounted for in 2023-24. 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 Figure 18.

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 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, we consider whether these individuals are subject to off-payroll legislation (**Figure 19** and **Figure 20** overleaf).

There were no off-payroll engagements of Board members or senior officials with significant financial responsibility between 1 April 2023 and 31 March 2024.

Expenditure on consultancy

The NAO spent £0.6 million on consultancy in 2023-24 (2022-23: £1.7 million) to obtain objective advice relating to strategy, structure, management or operations. Use of consultancy includes activities relating to the delivery of IT improvements and specialist legal advice on specific matters of policy or commerce where it is not economical to maintain this expertise in-house. Expenditure has fallen year on year because technical consultancy and procurement costs associated with major change projects are no longer required as these projects move from development into their implementation phase.

Diversity and inclusion

We describe our performance in achieving a more diverse workforce and our next steps in implementing our Diversity and Inclusion Strategy in the Performance report. In this section we show what we are doing to promote an inclusive working environment that respects individuals, treats them equally and fairly and supports them to realise their potential.

Figure 19

Highly paid off-payroll worker engagements as at 31 March 2024 earning £245 per day or greater

Number of existing engagements as at 31 March 2024	21
Of which:	
Number that have existed for less than one year at time of reporting	21
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 20

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024 earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2024	56
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	51
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

Equality, fairness and support

We emphasise the importance of respecting others in our corporate values and our policies. Our aim is for all colleagues to be treated equally and fairly and free from discrimination. Our dignity at work and related training programmes embed the principles of fair treatment and inclusive behaviours. We do not tolerate bullying and harassment. We want people to feel able to raise concerns in a safe and confidential way and investigate allegations quickly, sensitively and fairly, taking firm action if necessary. We have a strong team of dignity at work leads who offer informal, confidential support to those who have experienced or witnessed inappropriate behaviour.

We take a positive approach to providing suitable workplace adjustments for colleagues who need them, and guarantee interviews to all disabled candidates meeting minimum role and selection adjustment criteria for vacancies. Our approach extends to our learning and development offer, including support to colleagues undertaking professional accountancy training. We also support colleagues who become disabled while with us to stay and prosper in work. We use specialist organisations to give us advice on how best to support disabled and neurodiverse colleagues and those with longer-term health conditions to fulfil their potential in the workplace. Colleagues also have access to an employee assistance programme which provides confidential, independent, professional information and emotional support to staff and is always available. We also have 64 trained mental health first aiders who provide confidential support and guidance to colleagues facing a mental health issue.

Parliamentary accountability and audit report

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual requires the National Audit Office (NAO) to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. See **Figures 21 to 26** on pages 92 to 95.

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 use. 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 include further information on the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (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.

Figure 21

Statement of Outturn against Parliamentary Supply (SOPS), audited

Summary table, 2023-24, all figures presented in £000s

Type of spend	SOPS note	Outturn			Estimate			Outturn vs Estimate saving/ (excess)		Prior year Outturn total 2022-23
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Net total (voted and non-voted)
Departmental Expenditure Limit										
Resource	1.1	92,281	300	92,581	94,800	330	95,130	2,519	2,549	83,330
Capital	1.2	3,003	-	3,003	3,200	-	3,200	197	197	8,352
Total budget expenditure		95,284	300	95,584	98,000	330	98,330	2,716	2,746	91,682
Non-budget expenditure		-	-	-	-	-	-	-	-	-
Total budget and non-budget		95,284	300	95,584	98,000	330	98,330	2,716	2,746	91,682

Notes

- 1 All figures are presented in £000s.
- 2 Figures in the areas outlined in 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.
- 3 All of the National Audit Office's resources are deemed equivalent to Resource DEL or Capital DEL (Departmental Expenditure Limit).

Source: National Audit Office analysis of finance data

Figure 22

Net cash requirement, 2023-24 (audited)

All figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2022-23
Net cash requirement	3	93,576	94,434	858	85,343

Source: National Audit Office analysis of finance data

Figure 23

Programme costs, 2023-24 (audited)

All figures presented in £000s

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)	Prior year Outturn total 2022-23
Programme costs	1.1	92,281	94,800	2,519	83,034

Note

1 Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Source: National Audit Office analysis of finance data

Notes to the Statement of Outturn against Parliamentary Supply, 2023-24

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

SOPS1. Outturn detail, by Estimate line

Figure 24

SOPS1.1 Analysis of resource outturn by Estimate line (audited)

Type of spend (resource)	Resource outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior year Outturn total, 2022-23
	Programme					
	Gross	Income	Net total	Total		
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	121,978	-29,697	92,281	94,800	2,519	83,034
Total voted DEL	121,978	-29,697	92,281	94,800	2,519	83,034
Non-voted expenditure						
B – The Chair and the Comptroller & Auditor General costs	300	-	300	330	30	296
Total non-voted DEL	300	-	300	330	30	296
Total spending in DEL	122,278	-29,697	92,581	95,130	2,549	83,330

Source: National Audit Office analysis of finance data

Figure 25

SOPS1.2 Analysis of capital Outturn by Estimate line (audited)

Type of spend (capital)	Capital outturn			Estimate	Outturn vs Estimate saving/ (excess)	Prior year Outturn total, 2022-23
	Gross	Income	Net total			
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	3,003	-	3,003	3,200	197	8,352
Total voted DEL	3,003	-	3,003	3,200	197	8,352

Source: National Audit Office analysis of finance data

SOPS2. Reconciliation of resource outturn to net operating expenditure, audited

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 resources to net cash requirement, audited

Figure 26

SOPS3 Reconciliation of net resources to net cash requirement (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate saving/(excess)
Total Resource Outturn	1.1	92,581	95,130	2,549
Total Capital Outturn	1.2	3,003	3,200	197
Accruals to cash adjustments				
Adjustments to remove non-cash items				
Depreciation		(4,043)	(3,600)	443
Change in provisions		(55)	(1)	54
Other non-cash items		94	-	(94)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		460	(3)	(463)
(Increase)/decrease in payables		1,634	38	(1,596)
Use of provisions		202	-	(202)
Total		93,876	94,764	888
Removal of non-voted budget items:				
Consolidated Fund standing services		(300)	(330)	(30)
Net cash requirement		93,576	94,434	858

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 analysis of finance data

Fees and charges (audited)

We charge fees for our audit work and other services where permitted to do so under legislation (**Figure 27**). These are charged in accordance with a scheme prepared by the NAO, which is developed with consideration of best practice set out in Managing Public Money (guidance published by HM Treasury) and approved by The Public Accounts Commission (TPAC).

Fees for audit and assurance work are set to cover the full planned cost attributable for the service. We neither plan to profit at the expense of the public body receiving our services nor make a loss which would need to be subsidised through the funding we receive directly from Parliament. Our 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.

The difference between income and expenditure arose because of the costs associated with familiarisation of the newly implemented audit management software (Apex), as well as upfront familiarisation costs associated with adding new audits to the portfolio and the increased cost of audit firms. Audit teams will aim to recover these costs from the audit bodies over time, and deficits are expected to reduce in future years. The difference also includes around £1.1 million (£0.8 million in 2022-23) of VAT on external costs which we are unable to recover from HM Revenue & Customs as a consequence of our legislation (see note to Figure 27).

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 from it 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.

Losses and special payments (audited)

There were no losses or special payments that require disclosure because of their size or nature in 2023-24 (2022-23: nil).

Gareth Davies
The Comptroller and Auditor General

28 June 2024

Figure 27
Fees and charges

2023-24			
	Income	Expenditure	Surplus/(deficit)
	(£000)	(£000)	(£000)
Audit and Assurance work ^{1,2}	27,756	32,943	(5,187)
Secondment income	126	160	(34)
Rental of office space	1,774	846	928
Grant income	41	41	-
Total	29,697	33,990	(4,293)

2022-23			
	Income	Expenditure	Surplus/(deficit)
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)

Notes

- Income from audited bodies 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 £5,187,000 total deficit in Audit and Assurance work, £3,839,000 relates to Statutory Audit work (2022-23: £4,308,000 total deficit and £3,233,000 deficit on Statutory Audit work). If non-recoverable VAT is excluded from Statutory Audit expenditure, total deficit in Audit and Assurance work would be £4,130,000 and the deficit in Statutory Audit work would be £2,786,000 (2022-23: £3,438,000 total deficit and £2,363,000 deficit on Statutory Audit work).

Source: National Audit Office analysis of finance data

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 2024, which comprise the Statement of Comprehensive Net Expenditure, Statement Financial Position, Statement of Cash Flows, Statement of 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 UK adopted International Accounting Standards as interpreted and adapted by the Government Financial Reporting Manual (the "FRoM").

In our opinion the financial statements:

- give a true and fair view of the state of the NAO's affairs as at 31 March 2024 and of the NAO's net operating costs for the year then ended; and
- 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 2024 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 (FRoM 23/24) which applies UK adopted IAS. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

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

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

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

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

Crowe U.K. LLP

Statutory Auditors
55 Ludgate Hill
London
EC4M 7JW
UK

Date: 28 June 2024

Financial statements

Statement of Comprehensive Net Expenditure for the period ended 31 March 2024

		2023-24	2022-23
	Note	(£000)	(£000)
Contract income	6	(27,756)	(24,508)
Other income	6	(1,941)	(2,190)
Total operating income		(29,697)	(26,698)
Staff costs	3	85,501	76,061
Purchase of goods and services	4	32,425	30,163
Non-cash costs	5	4,181	3,647
Tax expense		171	157
Total operating expenditure		122,278	110,028
Net operating expenditure for the year		92,581	83,330
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	(2,525)	2,178
Total comprehensive net expenditure for the year		90,056	85,508

The notes on pages 106 to 123 form part of these accounts.

Source: National Audit Office

Statement of Financial Position as at 31 March 2024

		2023-24		2022-23	
	Note	(£000)	(£000)	(£000)	(£000)
Non-current assets:					
Right-of-use assets	7	72,943		71,628	
Property, plant and equipment	7	21,095		21,297	
Intangible assets	8	3,146		2,787	
Receivables falling due after one year	9	170		108	
Total non-current assets			97,354	95,820	
Current assets:					
Trade and other receivables	9	7,401		5,997	
Contract assets – accrued income	9	1,673		2,679	
Cash and cash equivalents		272		448	
Total current assets			9,346	9,124	
Total assets			106,700	104,944	
Current liabilities:					
Trade and other payables	10	(8,037)		(8,934)	
Contract liabilities – payments received on account	10	(757)		(1,670)	
Lease liabilities	11	(210)		(91)	
Provisions		-		(201)	
Total current liabilities			(9,004)	(10,896)	
Total assets less current liabilities			97,696	94,048	
Non-current liabilities:					
Lease liabilities	11	(1,870)		(2,097)	
Provisions		(187)		(132)	
Total non-current liabilities			(2,057)	(2,229)	
Total assets less liabilities			95,639	91,819	
Taxpayers' equity and other reserves:					
General fund			36,417	33,374	
Revaluation reserve			59,222	58,445	
Total equity			95,639	91,819	

The notes on pages 106 to 123 form part of these accounts.

Gareth Davies

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

28 June 2024

Source: National Audit Office

Statement of Cash Flows for the period ended 31 March 2024

		2023-24	2022-23
	Note	(£000)	(£000)
Cash flows from operating activities:			
Net operating expenditure for the year		(92,581)	(83,330)
Adjustments for non-cash transactions	5	4,181	3,647
(Increase)/decrease in trade and other receivables	9	(1,466)	(673)
(Increase)/decrease in contract assets	9	1,006	(1,102)
Increase/(decrease) in trade and other payables	10	(512)	3,130
Increase/(decrease) in contract liabilities	10	(913)	(69)
Other working capital movements not passing through the Statement of Comprehensive Net Expenditure		(55)	(98)
Change in provisions		(147)	207
Net cash outflow from operating activities		(90,487)	(78,288)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(2,383)	(4,194)
Purchase of intangible assets	8	(620)	(1,919)
Increase/(decrease) in non-trade payables	10	(209)	(1,021)
Net cash outflow from investing activities		(3,212)	(7,134)
Cash flows from financing activities:			
From the Consolidated Fund (Supply) – current year		93,400	85,500
Consolidated Fund Standing Services	4	300	296
Cash repayments of principal on leases		(177)	(217)
Net financing		93,523	85,579
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(176)	157
Cash and cash equivalents at the beginning of the year		448	291
Cash and cash equivalents at the end of the year		272	448

The notes on pages 106 to 123 form part of these accounts.

Source: National Audit Office

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2024

		General fund ¹	Revaluation reserve ²	Total reserves
	Note	(£000)	(£000)	(£000)
Changes in taxpayers' equity				
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
Net Parliamentary Funding drawn down		93,400	-	93,400
Net Parliamentary Funding deemed		448	-	448
Supply payable adjustment		(272)	-	(272)
Consolidated Fund Standing Services	4	300	-	300
Comprehensive net expenditure for the year		(92,581)	2,525	(90,056)
Realised element of revaluation reserve		1,748	(1,748)	-
Balance at 31 March 2024		36,417	59,222	95,639

The notes on pages 106 to 123 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. The Financial statements have been prepared on the going concern basis. Our Estimate for 2024-25 has been approved by the Public Accounts Commission (TPAC) in Parliament and therefore it remains appropriate to adopt the going concern basis. 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 Financial statements.

1.4 Financing

The NAO covers some of its expenditure by charging fees for certain financial audits 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. Such costs would be recognised by the NAO as they fall due and would be listed in the Statement of Comprehensive Net Expenditure and the supporting notes.

1.8 Value Added Tax on purchases

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

1.9 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

1.10 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.

1.11 Secondment income

The NAO may second 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.

1.12 Rental income

The NAO rents parts of its London property to third parties. These rental contracts are classified as operating leases. Rental income is recognised as it falls due. 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.

1.13 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.

1.14 Value Added Tax on sales

Where output tax is chargeable, income is stated net of VAT. The NAO charges VAT for work it carries out by agreement. 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

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

Property, plant and equipment

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

Remaining asset lives are in the following ranges:

Land	Non-depreciable
Building elements	30 to 60 years
Plant and machinery (including leasehold improvements)	8 to 17 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. At 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	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.

Subsequent expenditure on internally generated software which consist of a major upgrade or the addition of new features which act to improve performance or capabilities beyond original specifications, extend its useful life, or allows it to be used in new ways are capitalised when it increases future economic benefits. If the expenditure does not enhance the software's future economic benefits, then these are expensed as incurred. Expensed items include maintenance, minor improvements, or bug fixes, as well as training staff to use the software and administrative costs associated with its usage.

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.

1.16 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.

1.17 Contract receivables and trade receivables

Contract receivables are amounts invoiced and due in respect of financial audits or other services for which the NAO charges a fee.

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

1.18 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 audits 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.

1.19 Leases

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 lease for office space in Newcastle which commenced on 1 January 2023 for a term of 10 years. The right of use asset and the corresponding lease liability are recognised in the statement of financial position. The right-of-use asset for the Newcastle office lease is 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 the lease, so the future lease payments due are discounted using the HM Treasury lease discount rate applicable at the time the lease was entered into (3.51%).

The NAO does not have any other material leases.

Accounting estimates and judgements

1.20 Contract assets (accrued income) – management estimate

In order to calculate the income to be recognised in respect of financial audits for which the NAO charges a fee, 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 and therefore the estimate is not subject to significant uncertainty.

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 the value of the building is accounted for through the Revaluation Reserve. The NAO does not apply a different accounting treatment to those floors of the building sublet 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 sublet 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) will 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. In Phase 1 of the ATP, the NAO developed a customised audit software application for temporary use: the Risk Assessment and Planning Tool (RAPT). In Phase 2, using the RAPT as it existed in July 2022 as a baseline, the NAO developed a longer-term strategic software solution, known as Apex (previously AMS).

The NAO has applied the criteria in IAS 38 (Intangible Assets) to determine whether costs incurred as part of the ATP 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 Apex 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. This estimate is not subject to significant uncertainty as values are based on the fulfilment of contractual milestones for each phase of the programme.

Maintenance and technical support costs associated with the RAPT incurred after July 2022 have not been capitalised, because RAPT development since that date has not fed into Apex development and the future use of the legacy RAPT will extend only to outstanding audits of audited entities' financial statements for the 2022-23 reporting period.

The development phase of Apex 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 Apex 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 Apex 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, as well as the costs of staff training on the new software and methodology changes, and the cost of producing written policies and guidance relating to these.

Amortisation is charged on audit software assets (the RAPT and Apex) over their useful economic lives, commencing from the date each system first came into general use by financial auditors. The carrying value of all capital items relating to ATP were reviewed as at 31 March 2024 for indicators of impairment, and management did not consider there to be any impairment of the asset.

2 National Audit Office operating segments

2023-24									
	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	88,653	19,692	6,147	5,982	1,323	181	121,978	300	122,278
Contract income	(27,489)	-	-	-	(267)	-	(27,756)	-	(27,756)
Other income	(1,411)	(313)	(98)	(95)	(21)	(3)	(1,941)	-	(1,941)
Net expenditure	59,753	19,379	6,049	5,887	1,035	178	92,281	300	92,581

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

Notes

- Voted expenditure and income is allocated to the National Audit Office (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 54.
- 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.
- Contract income includes fees charged on UK and international audits, costs recovered on the NAO's outward secondment programme to support Parliament and other government bodies, and fees charged for some of the NAO's international relations work. Other income cannot be directly attributed to the NAO's operating segments and has been apportioned between them in line with gross expenditure.
- The chief operating decision body of the NAO is considered to be the Executive Team, and details of its membership can be found on pages 66 to 69. 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

	2023-24			2022-23
	Total	Permanent	Temporary	Total
	(£000)	(£000)	(£000)	(£000)
Wages and salaries	62,428	59,035	3,393	55,493
Social security costs	7,054	7,054	–	6,421
Pension costs	16,019	16,019	–	14,147
Gross costs	85,501	82,108	3,393	76,061
Secondment income	(126)	(126)	–	(109)
Net costs	85,375	81,982	3,393	75,952

Note

1 Details on staff numbers and related costs can be found in the Remuneration and staff report on page 87.

Source: National Audit Office

4 Purchase of goods and services

	2023-24		2022-23	
	(£000)	(£000)	(£000)	(£000)
Professional services	18,194		16,316	
Audit technology	996		2,069	
Facilities management	5,665		5,115	
Travel, subsistence, hospitality	1,216		879	
Digital services	4,045		3,370	
Recruitment and training	1,435		1,698	
Staff-related costs	678		582	
External auditors – audit fee	73		70	
– other work	48		65	
Other administration costs	1,097		849	
Operating lease rentals	91		–	
VAT recoverable ¹	(1,413)		(1,146)	
Total voted costs		32,125		29,867
Comptroller and Auditor General (C&AG) salary ²	255		251	
Chair salary ²	45		45	
Total non-voted costs		300		296
		32,425		30,163

Notes

1 The National Audit Office partially recovers VAT on its expenditure on an agreed methodology with HM Revenue & Customs; 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

	2023-24		2022-23	
	(£000)	(£000)	(£000)	(£000)
Amounts provided for in year		-		-
Depreciation on right-of-use assets	1,025		1,043	
Depreciation on property, plant and equipment	1,258		1,115	
Depreciation on other items	1,518		1,285	
Amortisation on intangible assets	242		112	
Total depreciation		4,043		3,555
Loss on disposal		67		1
Impairment of non-current assets		-		72
Interest on lease liabilities		71		19
Total non-cash costs		4,181		3,647

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 inter-related 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 over £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.

	2023-24	2022-23
	(£000)	(£000)
Contract income		
Audit and assurance		
Statutory audit income	14,310	11,811
Agreement audit income	6,087	5,949
Companies Act audit income	7,092	6,532
	27,489	24,292
International relations	267	216
Total contract income	27,756	24,508
Other income		
Secondment income	126	109
Rental of office space	1,774	2,029
Grant income	41	52
Total other income	1,941	2,190
Total income	29,697	26,698

Notes

- 1 Included within contract income earned for the year is £1,670,000 (2022-23: £1,739,000) 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 £1,000,000 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 £815,000.
- 3 As at the current reporting date, we expect to earn future income of £17,507,000 (2022-23: £17,239,000) 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

	2023-24							
	Right-of-use assets				Property, plant and equipment			
	London office (land element)	London office (building element)	Newcastle office	Total	Plant and machinery	Computers and other equipment	Furniture fixtures and fittings	Total
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Cost or valuation								
At 1 April 2023	36,636	32,809	2,485	71,930	16,900	9,603	3,905	30,408
Additions	-	173	55	228	549	1,377	284	2,210
Disposals	-	-	-	-	-	(4,386)	(570)	(4,956)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	2,999	(1,688)	-	1,311	(730)	-	-	(730)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2024	39,635	31,294	2,540	73,469	16,719	6,594	3,619	26,932
Depreciation								
At 1 April 2023	-	-	302	302	13	5,998	3,100	9,111
Charged in year	-	801	224	1,025	1,258	1,372	146	2,776
Disposals	-	-	-	-	-	(4,339)	(568)	(4,907)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	-	(801)	-	(801)	(1,143)	-	-	(1,143)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2024	-	-	526	526	128	3,031	2,678	5,837
Net book value								
At 31 March 2024	39,635	31,294	2,014	72,943	16,591	3,563	941	21,095
At 31 March 2023	36,636	32,809	2,183	71,628	16,887	3,605	805	21,297

Notes

- The National Audit Office (NAO) has a 130-year lease for the use of the London property, which is at a peppercorn rent – further details of this are included in Note 1.19.
- The NAO obtains a professional valuation of its land and buildings each year – this comprises the London office and plant and machinery. The NAO London headquarters is valued using the valuation techniques in the Royal Institution of Chartered Surveyors (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 sublet/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 RICS) valued the land, building and plant and machinery at £86 million as at 31 March 2024 (31 March 2023: £85.2 million).
- The net effect of the revaluation (after the annual depreciation charge) was an increase of £2.5 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 -£6.7 million and £8 million.
 - A change in market rental value by +/- 2.5% (£1 per square foot) could lead to a change in the value of the building of between -£1.9 million and £1.9 million.
- Further information on the key judgements relating to the valuation is provided in Note 1.21.

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

	2022-23							
	Right-of-use assets				Property, plant and equipment			
	London office (land element)	London office (building element)	Newcastle office	Total	Plant and machinery	Computers and other equipment	Furniture fixtures and 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

Source: National Audit Office

8 Intangible assets

	2023-24		
	Internally developed audit software	Other intangible assets	Total
	(£000)	(£000)	(£000)
Cost			
At 1 April 2023	2,861	755	3,616
Additions	602	18	620
Disposals	-	(512)	(512)
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2024	3,463	261	3,724
Amortisation			
At 1 April 2023	82	747	829
Charged in year	235	7	242
Disposals	-	(493)	(493)
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2024	317	261	578
Net book value			
At 31 March 2024	3,146	-	3,146
At 31 March 2023	2,779	8	2,787
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

Note

1 Internally developed audit software consists of costs incurred in delivering the Audit Transformation Programme detailed in Note 1 of the Financial statements. 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

	2023-24		2022-23	
	(£000)	(£000)	(£000)	(£000)
Amounts falling due within one year:				
Contract receivables	5,585		2,854	
Trade receivables	252		-	
Deposits and advances	49		33	
Other receivables	93		64	
Prepayments	1,422		3,046	
Trade and other receivables		7,401		5,997
Contract assets – accrued income		1,673		2,679
Subtotal		9,074		8,676
Amounts falling due after more than one year:				
Other receivables	170		108	
	170		108	
Total	9,244		8,784	

Notes

- The contract receivables balance primarily relates to invoices in relation to audit and assurance work.
- There were no impairment losses and nil loss allowance for expected credit losses on any receivables or contract assets in 2023-24 (2022-23: 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, some of which relate to future years.

Source: National Audit Office

10 Trade and other payables

	2023-24		2022-23	
	(£000)	(£000)	(£000)	(£000)
Amounts falling due within one year:				
Amounts payable to HM Revenue & Customs	224		184	
Trade payables	599		58	
Other payables	94		9	
Accruals	6,848		8,235	
Amounts issued from the Consolidated Fund for supply but not spent at year-end	272		448	
Trade and other payables		8,037		8,934
Contract liabilities – payments received on account		757		1,670
Subtotal		8,794		10,604
Amounts falling due after more than one year:				
Other payables	-		-	
Total	8,794		10,604	

Note

- The accruals figure primarily relates to expenditure incurred for services provided in the financial year for which the NAO has not yet been invoiced and the annual leave accrual.

Source: National Audit Office

11 Lease liabilities

	2023-24	2022-23
	(£000)	(£000)
Land and buildings:		
Payable within 1 year ¹	210	91
Payable later than 1 year and not later than 5 years	1,870	2,097
	2,080	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 ²	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	1.19

Notes

- The lease liability amount payable within one year of 31 March 2024 is significantly smaller than the amounts payable in subsequent years. This is because the liability covers the full 10-year lease for the Newcastle office space, of which only part relates to payments due next year.
- All rental income relates to subletting of office space within the National Audit Office's (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 2023-24 was £305,000 (2022-23: £300,000).

Source: National Audit Office

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

	2023-24	2022-23
	(£000)	(£000)
Undiscounted lease payments to be received under operating leases where the NAO is the lessor		
Receivable within 1 year	1,357	1,155
Receivable later than 1 year and not later than 2 years	934	602
Receivable later than 2 years and not later than 3 years	934	191
Receivable later than 3 years and not later than 4 years	797	191
Receivable later than 4 years and not later than 5 years	260	32
Receivable later than 5 years	-	-
Total	4,282	2,171

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 National Audit Office. This charge is not included within the figures above as it varies annually.

Source: National Audit Office

13 Financial instruments

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

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

Liquidity risk

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

Credit risk

The NAO charges fees for both audit and other services. There has been no history of default on any amounts due to the NAO and management assess its counter parties not to present a significant credit risk. Management have 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 2023-24.
- Amounts due from audit bodies in respect of work invoiced as at 31 March 2024 were £5.7 million (31 March 2023: £2.9 million);

- The NAO also rents out space in its London building to third parties, for which it charges quarterly. Management has concluded that the NAO is not exposed to significant credit risk from rental income.
 - The amounts expected to be recovered have been reflected in the rent receivables balance within trade receivables, 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 2023-24 (2022-23: 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 2024 (there was no material foreign currency exposure as at 31 March 2023).

14 Related party and other transactions

The NAO is headed by the Comptroller and Auditor General (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. 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 2023-24 the NAO raised invoices of £228,394 to the Foreign, Commonwealth and Development Office and its contractors and subsidiaries (2022-23: £125,581 from the Foreign, Commonwealth & Development Office and its contractors).
- The NAO works alongside the International Organization of Supreme Audit Institutions Development Initiative (IDI) of which the C&AG is also a Board Member on capacity building projects. The NAO has contributed £27,000 worth of staff resources to these projects while IDI meets all the costs of travel and subsistence associated with this work.
- Routine transactions with HM Revenue & Customs to meet statutory taxation requirements and with the Cabinet Office, which operates the Principal Civil Service Pension Scheme.
- Contractual relationships with organisations who occupy space in the NAO's headquarters building and pay rental to the NAO on commercial terms. Before we enter into agreements we assess the ethical considerations of these relationships and make sure that safeguards are in place to preserve the independence of the C&AG. Further information on these transaction values is set out in the table opposite.

Party	Nature of relationship with the party	Rent and service charge earned	
		2023-24	2022-23
Professional Standards Authority for Health and Social Care (formerly Council for Healthcare and Regulatory Excellence) – lease ended March 2023	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since October 2010.	–	£324,096
Ordnance Survey – lease ended May 2023	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since January 2012.	£57,664	£352,311

15 Events after the reporting period

There are no events after 31 March 2024 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 28 June 2024.

16 Capital Commitments

As at 31 March 2024, the NAO had contracted capital commitments of £994,000 in relation to the ATP, which will be spent in the 2024-25 financial year. Further details of the programme can be found in Note 1.22.

Statement of National Audit Office financial impacts

The Statement of Financial Impacts represents our estimate of the financial benefits achieved in 2023 following the implementation of our recommendations to government (**Figure 28** on pages 125 and 126).

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.²¹

The Statement of financial impacts has been prepared in accordance with internal guidance. Estimates are subject to internal quality assurance review by senior management. 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.

²¹ It is often difficult to determine the precise attribution of impact to indirect influences such as audit findings and recommendations in a complex delivery system. The National Audit Office uses standard ranges of attribution based on the nature of the work and its influence. For example, a series of recommendations or reports on an issue over several years that contributed to improvements would use an attribution rate of 25% of the assessed impact.

Figure 28

2023 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>Historic refinancing of PFI and PPP projects</p> <p>The refinancing of Public Private Partnership (PPP) and Private Finance Initiative (PFI) contracts on more favourable terms, resulting in a lower interest rate and generating savings for the taxpayer.</p>	£1,003,000,000	One-off	–	Infrastructure and Projects Authority
<p>Recovery of tax debt through increased capacity and use of the private sector</p> <p>HM Revenue & Customs (HMRC) increased debt management capacity, by funding additional staff and making greater use of debt collection agencies, to provide greater support to taxpayers seeking to pay off accrued tax debts which increased as a result of the COVID-19 pandemic.</p>	£202,200,000	Recurring	2 of 5	HMRC
<p>Electricity networks</p> <p>Reduced cost of capital for electricity network companies resulting in lower consumer costs.</p>	£80,650,000	Recurring	3 of 8	Office of Gas and Electricity Markets
<p>Universal Credit advances fraud</p> <p>Reduction in fraud as a result of the Department for Work & Pensions (DWP) introducing a number of measures, including enhancing its identity verification checks, and a machine-learning model to identify fraud.</p>	£69,000,000	Recurring	3 of 5	DWP
<p>Tackling overpayments in benefits expenditure</p> <p>Impact arising from our catalogue of work supporting DWP to tackle overpayments in benefit expenditure over successive years.</p>	£69,000,000	Recurring	1 of 6	DWP
<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>	£37,700,000	Recurring	2 of 2	HMRC
<p>Lower error and fraud on Corporation Tax R&D reliefs from improved controls</p> <p>The yield from compliance work on Research & Development (R&D) tax reliefs to better understand the risk of error and fraud occurring and letters sent to challenge claims identified as higher risk.</p>	£37,000,000	Recurring	1 of 4	HMRC

Figure 28 *continued*

2023 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>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>	£24,700,000	Recurring	3 of 4	Department of Health & Social Care
<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>	£22,800,000	Recurring	2 of 3	Department for Education
<p>Local authority borrowing and investment</p> <p>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.</p>	£20,940,000	Recurring	2 of 5	HM Treasury
<p>Efficiency savings in arm's-length bodies</p> <p>As part of a Cabinet Office run programme, government departments identified and delivered efficiency savings from their arm's-length bodies.</p>	£10,609,000	Recurring	1 of 3	Cabinet Office
<p>Increased uptake of social broadband tariffs</p> <p>Scrutiny by the Public Accounts Committee helped ensure that the Department for Science Innovation & Technology (DSIT) focused on promoting greater take-up of social broadband tariffs by households on low incomes, reducing the cost for those consumers.</p>	£7,600,000	Recurring	1 of 5	DSIT
Sub-total	£1,585 million			
Impacts below £5 million	£3 million			
Total financial impacts	£1,588 million			

Note

1 The numbers in 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

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 that the impacts are reasonably stated based on the underlying methodologies and assumptions under which the calculation is 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: 28 June 2024

Annex: Sustainability data

Figures 29 to 31 on pages 128 to 130 show our data on greenhouse gas emissions, waste and water consumption since 2017-18.

Figure 29

National Audit Office (NAO) greenhouse gas emissions, 2017-18 to 2023-24

		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Non-financial indicators (CO ₂ e)	Total gross emissions for Scopes 1 and 2	1,488	1,159	1,019	770	712	749	738
	Total net emissions for Scope 1	407	355	354	320	299	323	308
	Total net emissions for Scope 2	1,082	805	665	449	413	426	430
	Gross emissions Scope 3 – business travel	804	928	497	8	49	218	355
	Gross emissions Scope 3 – waste	2.1	2.1	1.6	0.2	1.0	1.5	1.7
Related energy consumption (kWh)	Electricity: non-renewable	293,901	87,910	0	0	0	0	0
	Electricity: renewable	2,782,799	2,755,263	2,600,798	1,927,259	1,945,425	2,200,288	2,073,338
	Gas	2,207,653	1,927,693	1,927,438	1,741,963	1,634,373	1,770,508	1,618,667
Related business travel data (CO ₂ e)	Domestic air travel	63	65	32	1	5	10	22
	International air travel – short haul	52	63	29	1	6	24	46
	International air travel – medium/long haul	217	362	180	0	4	95	193
	Rail, underground or tram travel	133	110	58	1	11	38	23
	Road travel	24	31	28	5	11	24	21
	Accommodation	315	297	170	0	12	27	50
Financial indicators (£000)	Expenditure on energy	565	589	588	524	500	678	758
	Expenditure on electricity	518	536	531	470	456	599	682
	Expenditure on gas and heating carbon	47	53	56	54	43	80	76
	Expenditure on official business travel	693	800	693	18	216	404	572

Notes

Data collection methodologies:

- 1 These data are not weather adjusted. Numbers may not sum due to rounding.
- 2 London office data – Scope 1 and 2: Calculated using first-hand data retrieved from the Office's Building Management System. The data does 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.
- 3 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.
- 4 Scope 3 emissions from the NAO's business travel were previously calculated by the NAO's travel management company. The method of calculation has changed and is now done internally based on the relevant greenhouse gas reporting conversion factors provided by the Department for Energy Security & Net Zero. Due to the change in calculation method, all years since 2017-18 have been restated. Other data for 2022-23 are also revised in some cases following receipt of updated information from suppliers.
- 5 Expenditure on gas in the financial indicators section does not include Newcastle office gas expenditure as it is included in the service charge.

Source: National Audit Office analysis of environmental data

Figure 30

National Audit Office (NAO) waste, 2017-18 to 2023-24

		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Non-financial indicators (tonnes)								
Total waste		117.0	118.4	96.7	9.7	54.9	81.4	88.0
Hazardous waste total		0.5	0.0	1.7	0.0	0.5	0.0	0.7
Non-hazardous waste	Landfill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Re-used/recycled	52.8	54.1	31.5	3.8	34.2	48.4	55.0
	Composted	38.7	40.0	41.8	1.0	13.9	17.6	12.0
	Incinerated/ energy re-used	25.0	24.2	21.8	4.9	6.3	15.4	20.3
Breakdown of waste	Paper	35.6	40.9	17.1	0.3	19.8	28.0	19.4
	Glass	1.0	1.4	1.6	0.0	0.9	1.3	1.3
	Food	38.7	40.0	41.8	1.0	13.9	17.6	12.0
	Mixed recyclables	16.2	11.7	12.8	3.4	11.9	18.8	26.2
	Non-recyclable	25.0	24.3	21.8	4.9	6.3	15.4	20.3
	ICT recyclable	0.0	0.0	0.0	0.0	1.6	0.3	8.1
	Hazardous	0.5	0.0	1.7	0.0	0.5	0.0	0.7
Financial indicators (£000)								
Total disposal cost		31.8	34.1	36.9	31.7	35.8	31.0	40.2
Hazardous waste – total disposal cost		1.4	1.8	0.1	0.0	0.0	0.5	2.7
Non-hazardous waste – total disposal cost	Landfill	0.0	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	21.6
	Composted	3.8	3.8	4.3	5.2	1.8	7.5	7.7
	Incinerated/ energy re-used	12.7	12.8	15.5	14.6	12.4	6.8	8.2
Breakdown of waste	Paper	4.3	5.9	6.1	7.5	4.2	6.4	10.0
	Glass	0.6	0.3	1.0	1.3	0.5	0.6	1.6
	Food	3.8	3.8	4.3	5.2	1.8	7.5	7.7
	Mixed recyclables	8.9	9.5	9.9	3.1	16.9	9.2	10.0
	Non-recyclable	12.7	12.8	15.5	14.6	12.4	6.8	8.2
	Hazardous	1.4	1.8	0.1	0.0	0.0	0.5	2.7

Notes

Data collection methodologies:

- 1 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.
- 2 Newcastle office waste data: The landlord provides waste disposal services as part of the lease's service contract. Monthly reports detailing the weight of generated waste and a breakdown by type are provided by the Landlord.
- 3 A small number of changes to historic waste data for 2019-20 and 2021-22 have been made following identification of minor past recording errors in hazardous, re-used/recycled and incinerated waste categories. Data for 2022-23 are revised in some cases following receipt of updated information from suppliers. Numbers may not sum due to rounding.

Source: National Audit Office analysis of environmental data

Figure 31

National Audit Office (NAO) water, 2017-18 to 2023-24

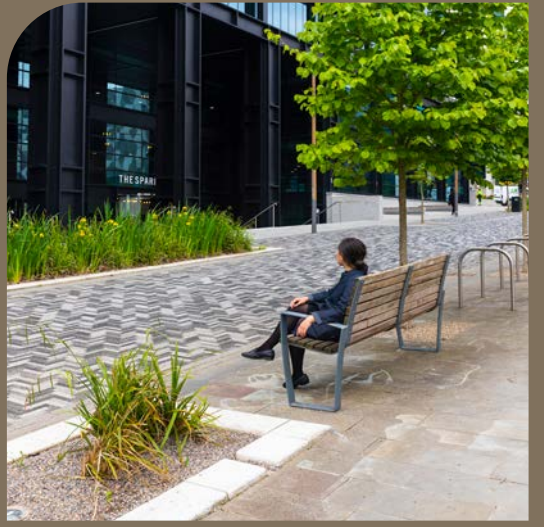
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Finite resource consumption – water							
Non-financial indicators (m³)^{1,2}							
Supplied	5,225	4,018	4,523	2,215	1,956	2,770	3,340
Abstracted	-	-	-	-	-	-	-
Financial indicators (£000)							
Water supply costs ³	16.9	12.5	12.8	10.1	14.4	11.1	5.2

Notes

Data collection methodologies:

- 1 Newcastle office consumption data: Water is metered into the building but not onto the office floor. Consumption is calculated as a percentage of occupied space.
- 2 London office consumption data: Water consumption is calculated using data retrieved from the Office's Building Management System. Water is metered at its point of entry into the building and tenants' consumption is estimated based on the floor space they occupy. Consumption data for previous years are revised following a change in methodology to exclude estimated consumption by NAO tenants.
- 3 Water supply costs do not include Newcastle office water expenditure as it is included in the service charge. Water supply costs for the London office are for the whole building and include tenants' consumption.

Source: National Audit Office analysis of environmental data





National Audit Office

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