

Public Accounts Commission

Oral evidence: National Audit Office Annual Report and Accounts 2021-22

Tuesday 18 October 2022

Ordered by the House of Commons to be published on 18 October 2022.

Watch the meeting

Members present: Mr Richard Bacon (Chair); Jack Brereton; Peter Grant; Dame Meg Hillier; Jerome Mayhew.

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Witnesses

I: Gareth Davies, Comptroller and Auditor General, National Audit Office; Dame Fiona Reynolds, Chair, National Audit Office; and Daniel Lambauer, Executive Director, Strategy and Resources, National Audit Office.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



Examination of witnesses

Witnesses: Gareth Davies, Dame Fiona Reynolds and Daniel Lambauer.

Q1 **Chair:** Welcome to today's public meeting of the Public Accounts Commission. Welcome to the witnesses. Could I ask you to introduce yourselves, please?

Gareth Davies: I am Gareth Davies, Comptroller and Auditor General, and head of the National Audit Office.

Dame Fiona Reynolds: I am Fiona Reynolds. I am chair of the board of the National Audit Office.

Daniel Lambauer: I am Daniel Lambauer, Executive director for Strategy and Resources.

Q2 **Chair:** Thank you very much for coming this morning. In the last financial year, the National Audit Office, having asked for an extra £4.3 million in its estimate, did not spend all of that. In fact, your total underspend was £2.4 million against the estimate approved by this Commission, which is a 2.9% underspend. Can you explain why that was the case?

Gareth Davies: As you will have seen from the accounts, we actually spent our expenditure budget almost spot on. We had a spending budget of £104 million, and we spent £103.6 million. Those additional resources that we needed to audit, particularly the Covid-19 expenditure in departmental accounts, were required. We can break that number down a bit more, if that would be useful.

The variance that you mentioned arose on our income rather than our expenditure. Our income was £1.6 million higher than we expected. That was largely because of the additional work that was needed on audits where we are paid a cash fee by the audited body—not Government Departments, but the large publicly owned companies and others that we audit. This is because the audit risks identified required more work than we had originally expected in our income forecast. That explains the bulk of the additional income. That is where the variance arose.

Q3 **Chair:** One of the targets you have is to spend 80% of your expenditure on audit work. Can you explain how you arrive at that figure?

Gareth Davies: Yes. I will ask Daniel to come in on this. This is a target we have had for several years, so it goes back before my time. Essentially, what we are saying is that, if we demonstrate that our resources are going 80% to our frontline work, it is an indication that we are keeping our overheads under good control.

It compares well, actually. I remember from my time in the private sector that that would be an extraordinarily low overhead percentage for a professional services firm. Admittedly, they have other costs that we do



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not—for example, business developing, marketing and so on—but to have achieved 20% in the funds I knew would have been a major success.

Daniel will be able to explain some of the other evidence we have for the efficiency of our back office services, which I think will be helpful.

Daniel Lambauer: Thank you. This measure goes back to 2006, when it was first introduced. It was 70:30 for many years and then the previous Comptroller and Auditor General gave us a tougher target of 80:20, which we achieved through a range of corporate services efficiencies and reforms that we did from 2012 onwards. I think we talked about this. We took around £3 million out of our administration at the time and have not really increased it since then, not even close to that figure. It is a figure that has been there for some time.

We challenge ourselves every time, and try to get external assurance as well, that we are as efficient as we can be. For example, in this strategy period the audit and risk committee has commissioned a range of reports on our corporate services functions. You already took the report on the finance function and a report on our strategic investment. We currently have reports on the HR function as well, which I think you are going to receive at one of the next hearings. Early findings from the auditors are, as with the finance function, that we are cost-efficient and effective, and are using a range of metrics to look at that.

Lastly, my teams and the corporate services teams go through the budgets line by line every year, so that increases, if any, are justified, and are linked to our strategy. We are also looking for decreases where possible. The Comptroller and Auditor General quizzes me similarly to make sure I justify all expenditure. In fact, last year we were higher than 80:20. We were around 83.

Q4 **Chair:** I think Dame Meg may want to come in, but I have a question about the proportion. It is slightly ironic, is it not, that Parliament's consumption of the NAO's work is almost entirely around the non-audit material, the value for money work which Dame Meg's Public Accounts Committee takes evidence on, yet the vast amount of the expenditure goes on audit?

Obviously, you are an audit body and that is going to happen to some extent. Is there a case for saying that we, as Parliament, should be taking more notice of these audit reports, as we have sometimes done, whether it was the Foreign Office resource accounts years ago which proved very scandalous when we dug into them, or whether it was the Revenue and Customs Prosecutions Office, as it then was, which was very scandalous when we looked at it?

Gareth Davies: There are a few things in response to that. First, the 80% we are talking about is all of our financial audit and value for money work altogether. It is all of our frontline work. That is what the 80% covers.



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About two thirds of it is financial audit and one third is value for money and investigations.

Q5 Chair: None the less, the question stands. Should we not be consuming more of your product?

Gareth Davies: I gently resist your characterisation of Parliament's use of our work. PAC is about to take a session later this week, on Thursday, with the head of HMRC answering questions about their accounts for the last year. In the last year the PAC held a whole session on the BEIS accounts because of the Covid loan schemes there, and with the Department of Health and Social Care, not surprisingly, given the amounts in their accounts. There were at least four big Departments last year which had an entire PAC session just on their accounts.

Other Select Committees increasingly now use the accounts we prepare for several of them. We prepare what we call a departmental overview, which helps them spot the interesting features in the accounts and then use them in evidence sessions with officials. I think it has developed quite well in getting full value out of the work we do on the financial audit, but, as you say, there is always more that could be done with it.

Q6 Dame Meg Hillier: Of course, we know that the Public Accounts Committee, which I chair, does exactly as the Comptroller and Auditor General has said. There are some Select Committees, notably the Justice Committee, that always look at the accounts every year. Have you given any consideration to helping to onboard Members of Parliament who may not be familiar with dealing with accounts? I came from a local government background, so I understood that, but found national Government quite different and quite daunting at first. Do you have any plans to do any training or development sessions for Members?

Gareth Davies: Yes. We have an accounts training session which we have run for several Select Committees. Of course, it is first of all making sure that it is known about, and then that the value of it is appreciated rather than seen as a worthy but dull session for the Committee. That is the big challenge.

At the moment, given the huge pressure on departmental budgets, which we already know is out there and we are going to see more of that, the question of whether we are getting full value from the resources allocated to this Department becomes critical. The accounts are the key way of understanding that. I think you are right that there is more to do there.

Dame Meg Hillier: Chair, maybe there is an open door for the NAO at the moment with all the debates going on about where "efficiencies" will come from.

Q7 Chair: Indeed. Would you comment on that point, since Meg has raised it? We know now that the budget situation is quite constricted. We have a new Chancellor with a new approach. Nearly all of the mini-Budget from three weeks ago has been unwound. A question then arises: are we going



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to see more public expenditure cuts? If so, where, and to what extent can those matters be mitigated by greater efficiency?

I remember a report that the NAO did in 2003-04. I particularly remember because I wrote a newspaper article about it at the time. It said that were we to have seen a 1% increase in Government efficiency, it would produce £14.1 billion more for the frontline. That was many years ago. What is the comparable situation now? Can you speak to that for a second?

Gareth Davies: Before the spending review in 2021, we produced a report essentially summing up the lessons on efficiency from the NAO's work over the last few years, timed to inform the spending review process. There, we set out the evidence, which was well known in the Treasury and by those interested in public spending, but these points bear repeating.

Long-term efficiency is very difficult to achieve if you take short-term focused decisions. Cuts made in one Department can increase costs for other Departments, as well as people like local authorities and others outside—

Q8 **Chair:** You mean cost shunting?

Gareth Davies: Exactly. These are well-known issues, but it does not mean that they are adequately addressed in pressurised spending decisions. We took the opportunity to lay out these areas. First of all, there are big opportunity areas, but we also highlight some of the pitfalls that previous Governments have fallen into in those areas.

Something I would say about the current situation, coming out of the pandemic particularly, is that there is an emerging and very significant issue for Government, as well as other organisations, about productivity. There is building evidence that public services have taken a productivity hit through the pandemic. Some are for obvious reasons. If you had to have Covid controls in place in hospitals, it was difficult to achieve the same level of throughput and so on. Even as those controls are being eased—of course they have not yet gone altogether in the health service—we are not seeing the increases in productivity that you might have expected to see as things returned to their previous condition.

Q9 **Chair:** You will be doing more work on this, will you?

Gareth Davies: A lot of our work is focused on efficiency and the central question of productivity. Hopefully, we have some useful light to shed on that.

Q10 **Chair:** I want to bring in Dame Meg again, but first I would like to ask a question about consultancy expenditure, which increased to £2.2 million in 2021-22. Can you tell us what additional consultancy services you required?



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Daniel Lambauer: The consultancy services break down into roughly four areas: IT consultancy, commercial and procurement support, legal support and technical support. That roughly makes up the £2.2 million. We primarily use consultancy very prudently, and only where it does not make sense at all to hire specific high-quality expertise permanently, partly because we could not afford it but partly because we just would not have the volume of work.

For example, we use them on digital change projects, and most importantly on our audit transformation project; £1.1 million of the total spend went into that because it is such a complex project. There are lots of complex commercial and legal areas in the procurement process, and we need advice for that.

We have ad hoc support; for example, we partner with a legal firm we have contracted with, because we do not have an in-house lawyer, on stuff like commercial law. We need to deal, for instance, with tenants under rental or employment law. That is the rest of it.

Q11 **Chair:** Have you considered having a general counsel, or do you think you are too small an organisation for that?

Daniel Lambauer: Every year we go through it. The problem is that there is a lot of law to cover. You have commercial, you have HR, and you have constitutional law. It is difficult to find someone who covers it all. If you can only find an expert on one area, it is cheaper to have a commercial—

Q12 **Chair:** You probably get not just better quality and better value for money but the leading expertise in each case.

Daniel Lambauer: Absolutely, yes.

Q13 **Jack Brereton:** Is the cost because you are doing more consultancy and having more consultants, or is it that the cost of what you are procuring is becoming more expensive?

Daniel Lambauer: It is probably more the volume of advice that we need at the moment because we have such a big change project. The audit transformation project is a one in 10 or 15 years change projects that we do. We do not have all the experts for that on the books, so to speak. I think it is more the volume.

Obviously, some individual costs might go up on a daily rate, as with inflation, but primarily it is the volume.

Gareth Davies: We expect to see that figure go down as the project is implemented.

Q14 **Dame Meg Hillier:** Dame Fiona, in the foreword to the annual report you say: "It sometimes feels as though we are living with constant and recurring crises." Obviously, as a board, you have to oversee the strategic priorities of the National Audit Office. Do you think those



constant and recurring crises have affected the ability of the NAO to meet its strategic priorities? Have you had to make any compromises?

Dame Fiona Reynolds: I think we have managed to adjust really well, actually, to the very uncertain world that, frankly, we are all living in. Covid was, as you all know very well, a huge refocusing of effort. The NAO responded magnificently to that. We now have the big energy package. As the Chair mentioned earlier, there is the whole question around changes in tax regimes, which may or may not happen. We have to be alert and ready to respond to the need of the moment. A really important part of our job is that we are seen to be able to meet those challenges in an intelligent and thoughtful way.

I do not think it has knocked us off our strategy. I came in just when the strategy was being implemented, and I think it has served us very well. We are very clear about our priorities. Obviously, some things, as a result of Covid, have had to be reset. One of our big priorities at the moment is getting back on track, which you will have heard a lot about in relation to audit timetables. We are just as focused, by the way, on quality as on timetables. That clearly has left a legacy.

The other areas to which we are committed in the strategy are emphasising improvement and how we can add value to the work the Government do in improving efficiency, improving delivery and **we are addressing that** through our hubs, which were a major new investment in our strategy, **looking at** the complex and particularly cross-cutting issues that we know are increasingly with us, whether it is levelling-up targets, public health or perhaps the whole climate environment debate. They cut across Government Departments and require us to be very conscious of interactions and interplays as well as conventional audit processes.

Q15 **Dame Meg Hillier:** Perhaps I can ask you this, and maybe Gareth Davies, the Comptroller and Auditor General, will want to come in as well. These constant and recurring crises have not really stopped over the last year. That is the new normal. In future, as you look at the strategy, do you want to make any changes to it, or do you think that the hubs, which have been a very welcome intervention from the point of view of the members of the Public Accounts Committee and are very useful, have the built-in resilience to deal with these crises? Is there anything else you need to do to change?

Dame Fiona Reynolds: We are in the middle of a strategy at the moment. Frankly, I think it is serving us very well. The hubs have provided some insight that we have found incredibly useful.

Q16 **Dame Meg Hillier:** It might be useful, Chair, to explain what the hubs are. I realise that perhaps we are talking in jargon here.

Gareth Davies: Most of our staff are organised into teams that face on to Departments and groups of organisations. That is both for financial audit work and for value for money work. The hubs have brought in a kind of cross-cutting bit of our structure. Where we have identified



professional disciplines or specialist areas of expertise that require us to focus our knowledge—for example, digital, major programme delivery, analysis and financial and risk management—each of those is headed by a senior person with expertise in the field. Most of them are externally recruited for their up-to-date expertise, although there are some very good internal people as well. Their job is to work with their colleagues who are working with Departments, first of all, to strengthen the judgments we are making in those specialist areas. They bring commercial expertise on procurement, for example, into a study we are doing in a particular Department. They are also the way in which we are now strengthening our networking with the Government functions that are trying to improve those areas.

It has helped us get much stronger relationships, say, with the digital experts in government and procurement experts in government. A crucial bit of the improvement impact that we can have is influencing what the professionals are putting into their training programmes and telling new recruits how they work. All in all, for a modest investment, that has proven to be a very useful development.

The trick internally is that all of these parts of the system work together. Our client-facing work, if you like, is strengthened because of this expertise; also the insights we are able to have on something like digital change are improved by the many reports we are doing across Government on that topic. It is proving useful.

Q17 Chair: This sounds rather like a development of the process that was started by your predecessor of brigading your people—you mentioned big capital projects—into areas of discipline, so that whether you are looking at a big capital project in energy, in transport or in defence procurement, all of which require many of the same analytical skills to understand properly, they are learning from each of them and then reapplying what they learn elsewhere. Is that correct?

Gareth Davies: It is, yes. They were called communities of practice in their previous incarnation. What we have done, first of all, is clarify where we need those bodies of expertise and plug some gaps that have developed. We have also made them operate consistently, with a clearer remit. That is the difference.

Q18 Dame Meg Hillier: Have they helped you deal with the constant crises that Dame Fiona described in the annual report?

Gareth Davies: To be honest, the whole organisation has had to do that. Financial audit teams have had to cope with big disruption to the timetable of Departments producing the accounts. I am sure we will go on to that topic because it is a hugely important area of quality and timeliness in accounts.

Audit teams have been at the frontline of absorbing some of these crises, as are the people doing our value for money work and the hubs too. In



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terms of the organisation's own resilience, like most organisations that have had to respond in a very direct way to what has happened over the last three years, there are a lot of tired people. That is partly because the normal cycle has been disrupted. Many of them have not seen the intense summer signing off accounts and having a break to start again. If you are on the Department of Health audit team, you have not stopped auditing for two and a half years, essentially. As soon as the 2021 accounts were signed off, we were immediately into the next year. We have a big programme to drag all of those timetables, working with Treasury and working with Departments, to get the remaining ones back where they should be. It is a massive job. There is certainly a residual impact on the organisation of that.

Q19 **Chair:** I want to bring in Jack Brereton in a moment, but I want to pursue that question about learning and the hubs. There was a big piece in *The Sunday Telegraph* last weekend about the Ajax tank. Even a light, casual reading of it suggests that they have learned nothing about defence procurement in 30 years.

It is all very well for you to become a more learning organisation, but how do you make sure that those lessons are transferred into Departments, and particularly the MOD, which has been the source of more procurement horrors than most of the rest of Government put together?

Gareth Davies: It has obviously been a close area of work for us and for the Public Accounts Committee. Clearly, we cannot actually do it because we are the auditor, not the manager. We push ourselves very hard to challenge the way in which we are doing our work. Is this approach designed, first of all, not just to flush out the facts and make sure that the scrutiny can operate properly, but actually to draw the correct conclusions from what has happened and promote improvement? Hence the focus on our lessons learned reports—we are producing more of those each year now than before—and our good practice guides, where we write up what we have seen working well so that Departments and audit committees have that in front of them.

We make ourselves available for workshops and for internal seminars in Departments. I go and speak on the major projects programme, for example, where senior civil servants are trained in those approaches. We make ourselves as available as possible.

Q20 **Chair:** Are they still doing that at the Saïd Business School at Oxford?

Gareth Davies: Yes.

Q21 **Chair:** With Professor Flyvbjerg.

Gareth Davies: Yes.

Q22 **Chair:** That is now part of the warp and weft of what goes on.

Gareth Davies: Yes.



Q23 **Chair:** I am glad to hear it. Meg and I once visited it some years ago.

Dame Fiona Reynolds: From the board's perspective, one of the big challenges is how to create an environment where Departments are incentivised to take our recommendations seriously. You can have a tick-box and tick the recommendations off, and we are all satisfied, and put the report back on the shelf. We are really engaged, exactly as the Comptroller and Auditor General has just said, with how we can encourage Departments and leaders in these very complex projects to want to make it better, and to feel that our learning and our recommendations are really helpful in that process. For us, as we move forward to thinking about our next strategy, that incentivising of improvement is very much in our minds.

Q24 **Jack Brereton:** You have talked to us before about the digital transformations that you are making within the NAO. Could you give us an update on the implementation of your new software platform?

Gareth Davies: Yes. This is what we call the audit transformation programme. As you will remember from our multi-year project plan, the headline is that we are on track. We have just started training all of our staff in the new audit methodology that we have designed to be compliant with the new audit planning standard; ISA 315 is the technical name for that. All firms are revamping their audit methodologies at the same time to implement it. Our staff are currently going through that training. We have had the first two waves, and we have several more waves to go in the autumn. That is all about the new methodology.

The first part of our new software is the risk assessment planning tool, as it is called. That will be used on all audits starting in the next few months, the 2022-23 audits. The full software platform is in development. We have commissioned a software developer to work with us to develop the whole platform. That is phase 2, which we will be training our staff in at this time next year and piloting in the next 12 months. This wave of piloted new methodology last year will be implemented in the coming year, and then in the coming year we are piloting the new software platform and are implementing all of that for this time next year. Our 2023-24 audits will be on the new platform.

So far all of our milestones are on track. We are within budget. As we have said before to the Commission, we are acutely conscious that this is the nearest we get to a major programme of our own. There will be a lot of people in government wanting to see that we do as good a job as we hold them to in our audit work. As you would expect, that has informed our project management approach and our governance around it. The board takes a close interest in progress. Fiona might want to say something about that.

Dame Fiona Reynolds: Indeed, yes. As I said before, we certainly do not want to make the same mistakes as other Departments have made in implementing our own programme. We are getting regular reports to the



board. Every board meeting now has a report on the ATP. Anecdotally, just talking to staff, and I am in the office regularly, the training is going really well. People are excited by what this first step can offer. I think we are feeling as comfortable as we can be at this stage, but we will be watching it and so will the senior team. This is very important to us.

Q25 Jack Brereton: Are you starting to see some of the benefits from that? Is that in line with what you expected?

Gareth Davies: It is too early to say on any scale, but we have the pilots of the new risk assessment approach. Without taking too long on it, the point of this change in auditing standards is to ensure that auditors really understand the businesses they are auditing and have assessed the audit risks correctly. Obviously, this is all coming particularly from the failures in the financial services audit world over the last few years.

We understand Government Departments pretty well, having worked with them for so long, but even in the case of an organisation like us it is uncovering areas that we think might benefit from greater audit coverage. It is also allowing us to back off in some other areas where our historical approach is not justified by the latest risk assessment. We are having to allow a little bit of extra resource for the first year of implementing this new approach, but overall we think the key is that it drives better insight from the auditor. Rather than the report that the audit committee gets at the end of the audit just being boilerplate and pretty much a repeat of last year, we expect it to shed more light on areas of control improvement that are available and patterns of spending that may not be visible at the top of the organisation.

Some of that is a little way off, but this approach holds that promise. When we get to the software package part of it, that is where our data analytic tools and so on will come in.

Q26 Jack Brereton: Do you think there could be benefits beyond the benefits to the NAO?

Gareth Davies: Yes, very much so. We are already clear that we are going to produce more useful reports for audit committees and management teams. Quite how useful we will get to see before we get into the detail of the new software.

Essentially, what it will position us to do—there is a long way to go, to be honest, for Government Departments as well as for us—is that provided we can download well-controlled data from Departments, rather than auditors picking samples of 25 transactions, which is the long-standing practice in audit, we will see application of data analytic tools that can assess the whole population of transactions, spot anomalies and pull out patterns that either have a value for money implication or a financial control implication. There are some interesting things ahead in the audit world. While we cannot invest the billions that the big four are investing in their technology approaches, proportionately the investment that you



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have approved here in the last couple of years allows us to get into that territory in a really positive way.

Q27 **Chair:** That is very encouraging, although when I hear the words “too early to tell”, I am always reminded of A. Ernest Fitzgerald’s maxim, admittedly about defence procurement, that all defence programmes are subject to the phrase either “too early to tell” or “too late to stop”. I hope that is unfair in relation to this. It is potentially very exciting, as you say.

When do you think you will be in a position where this project is fully up and running, fully implemented and you are looking at achieving the benefits from it? You mentioned later next year. Can you put a pin in the calendar and say?

Gareth Davies: Yes. I would say two more years to be fully implemented and another year to evaluate, so three years from now I should be able to give you some evidence of the impact it is having.

Chair: We had better diarise that and we will come back and talk about it.

Q28 **Peter Grant:** Good morning to our witnesses. I draw attention to my entry in the register of interests and to my membership of the Chartered Institute of Public Finance and Accountancy.

Mr Davies, last year you only managed to certify 45% of financial audits before the summer recess, which is usually the target you set. This improved on the previous year but is still well below what you were achieving before. What are the main factors that have contributed to that lateness?

Gareth Davies: It is almost all down to the pandemic and the impact on Government Departments’ timetables for producing accounts. Some of them were literally overwhelmed by the financial impact of the pandemic, the Department of Health and Social Care being the obvious one but there are others too. It all stems from that.

I can give you an update on the figures for this summer. We targeted four more Government Departments to be certified before the summer recess, and all four of those were achieved. They included some very big ones such as the Ministry of Defence, HMRC—two very large audits—and then FCDO and the Department for Transport. That was a big achievement by those Departments and by our audit teams working with them, but to achieve it, we had to prioritise the larger Departments. We only chalked up 53% overall, including all the small bodies that we audit, which was well short of where we wanted to be this summer.

A bit of a catalogue of events got in the way of accounts smoothly going through Parliament. As you know, accounts have to be laid in Parliament by Departments once they have been audited. If you remember, before the summer recess we had a slew of ministerial resignations. That stopped quite a lot of accounts that were audited and ready going through Parliament at the time.



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It was frustrating for everybody, and concerning, but Ministers were not there to sign them off so they could not be. Then you had the summer recess, where you cannot lay accounts. As you know, since Parliament's return in September we have had the very sad death of the Queen. We have had interruptions to Parliament's timetable, but by the end of next week we will get to the milestone that we wanted at the end of July, which is 70% of all audits certified.

Q29 Peter Grant: For clarity, does the figure of 55% mean that you had certified them?

Gareth Davies: Yes.

Q30 Peter Grant: And Parliament had not seen all of them because there was a longer gap than usual between—

Gareth Davies: The 55% are laid in Parliament. We only treat them as certified once they have been laid in Parliament. In the cases I mentioned where ministerial approval could not be given, we had to go back and recertify in September. Clearly, you have to allow for post-balance sheet events and things that could have happened in the meantime.

Q31 Peter Grant: Is there a difference in prioritisation for you between Government Departments, which are clearly very big but you are funded in one way for them, and external bodies, for which, as you mentioned earlier, you get a cash fee? Is there a financial incentive for you to prioritise the smaller but external ones that bring in the cash? Is there a financial penalty for them if you—

Gareth Davies: No, absolutely not. It literally is not a consideration in our mind at all. In fact, the prioritisation is the opposite. The priority for us is Government Departments. Of course, that means there is a critical path for some of those Departments. In some cases, there are material subsidiaries you need sufficient assurance on before you can sign off. It is, essentially, the group, which would include the Department. We cannot treat them as isolated organisations. Our focus is on the 18 major Government Departments for which Parliament expects audited accounts by the summer recess. A huge amount of our effort goes into ensuring those are hit.

I had to deal with some disappointed chairs of audit committees and chairs of boards at smaller organisations, which we had to put back in order to achieve some of that. To be honest, I do not like doing that. I want to get back to the position where we have certified nearly 80% of all of our audits by the summer recess. Our plans are to get us there by summer 2024. We will get as close as we can next summer, but we already know that some Departments will not be ready for next summer.

It is worth saying that there are some important factors that are delaying accounts. We are working closely not just with Departments but with Treasury as well. The Commission knows that there is a bit of a crisis in local government audit at the moment. Some local authorities have two



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or more years of accounts outstanding and unaudited. There are lots of reasons for that and lots of technical issues. There is also what has happened in that market.

There are some Government Departments whose accounts depend on getting audited figures from the local government pension funds for large groups of their staff, where there has been a historical transfer of staff into a Government Department. The lack of assurance on those pension fund audits is holding us up in a number of cases. For example, DCMS and MOJ are two Departments that have material pension fund entries that have not been audited at this stage.

We are working with Treasury and Departments, first of all on whether there are any technical solutions to this question or different ways of accounting for pension liabilities and assets, for example, but also with the firms that are auditing the relevant local authority pension schemes. They are on the critical path for Government Department audits, so we are not leaving any stone unturned in removing those obstacles. It is quite a complicated process, but it is important that we get back to timely and high-quality audited accounts.

Q32 Peter Grant: One of the Departments that has clearly had difficulties in the last few years is Health and Social Care. It is notable that it was not one of the four that you mentioned that have now been helped to catch up. Where are we with DHSC, and how many more years do you expect it to be before they are meeting the target?

Gareth Davies: We are working closely with them, probably more closely than anyone had expected to be doing, on these issues. As you know, there are some issues around the management of the inventory that was built up to fight the pandemic, particularly PPE but also medicines, antivirals and so on. A big focus has been on getting proper control over that enormous volume of inventory. It is just the normal things you would expect—to be able to count how much you have and to be able to value it accurately in line with accounting standards.

It is still going to be problematic for the audit we are just completing at the moment for 2021-22. Realistically, although we are all working very hard on it, I do not think the Department for Health and Social Care will be pre-recess next summer. If it can be, we will. If not, it will be the following year.

Q33 Peter Grant: Moving on to your value for money work, you usually aim to complete between 60 and 65 value for money reports per year. Last year that dipped to 58. What were the reasons for that?

Gareth Davies: Just timing. The pipeline of reports was as expected, but two or three of them came just after the end of March, which is our cut-off date for measuring that. There has been no diminution in effort or volume in the organisation on that.

Q34 Peter Grant: With my other hat on as a member of the Public Accounts



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Committee—as is Dame Meg Hillier—we have an interest in being reassured that the value for money work is still ongoing. Sometimes the report will be produced on 2 April instead of 28 March. Is that the kind of structure you are looking at?

Gareth Davies: That is right, yes. We are maintaining the flow of reports at the rate the Public Accounts Committee needs in order to make decisions about its own sessions. At the moment, I certainly do not believe that we are leaving the Committee short of material. Actually, it is having to make some quite tough choices on which reports to take and which to pass to other Committees.

Q35 **Peter Grant:** I certainly agree with that. We are not short of things to pick up on the Public Accounts Committee.

Moving to the quality of the VFM reports, the internal quality review that you have undertaken found that in two out of 12 cases significant improvement was needed, particularly with the recording of documentation and the review of that documentation. First of all, how is that able to happen? Why weren't there processes in place to make sure that the reports did not go out with those weaknesses in the support documentation?

Gareth Davies: On both the financial audit and the value for money work, we have rigorous internal processes. It is very challenging to be on the receiving end of them. It is just as challenging as our external inspections turn out to be. We report all of that in our annual report.

How do these things happen? It is usually pressure of work, particularly if you remember 2021-22. We were producing some quite high-speed reports as the pandemic was unfolding, and making sure that the PAC could have timely sessions with officials about what was going on and how they were managing controls on expenditure. I am just thinking of some of the examples and some of the work we did at very high speed on bounce back loans. I am not saying that these are the two that you mentioned. We did some responsive work on the whole issue around Greensill, if you remember, and the various issues that were flagged up there and needed attention.

It is that kind of work. We get to a high-quality report. Neither of those two is about the accuracy of the findings in the report. It is just about whether the file has been prepared to the standard we would expect by that stage. There were some gaps in those two cases. It was largely failure to go back and complete the admin around the file rather than anything that was a flaw in the methodology.

Q36 **Peter Grant:** I always thought that the reason it was important to spend time on the boring stuff like getting the papers properly sorted out and filed was so that you could demonstrate the accuracy of findings that you had reported.

Gareth Davies: Absolutely.



Q37 **Peter Grant:** Are you in fact telling us that you are confident in the robustness of the findings, but that, if you had to go back and find the bit of paper that proved it, it might be difficult?

Gareth Davies: Not now, because those gaps have been plugged. There are no issues about the robustness of the findings in the published reports in any of those cases. If there were, we have a process for making corrections to reports, which, thankfully, is rare. If it is necessary, we always do it rather than leaving something we know is inaccurate in a published report. The fact that the numbers of those corrections have gone down significantly over the last three years is an indication that the internal quality control processes are having a positive effect.

Q38 **Peter Grant:** It might be helpful to the Commission, and I am sure it would be helpful to the Committee, if you were able to provide more information in private. We do not want this to turn into a blaming exercise for the individual audit teams. If the sample of 12 that were picked for review is entirely random, it could mean that we are looking at 12 reports per year that are based on evidence that was either not sufficient or had not been adequately reviewed.

Given the kinds of issues that you have referred to, and we all appreciate the speed you were having to work at over the summer, those were also the issues that were absolutely at the top of the agenda for everybody at the time. If there were to be any issues with the quality of the underlying work, and certainly the Public Accounts Committee places a great deal of reliance on it, it is something that would give us concern. I know you will be aware that at least one Government Department has taken to immediately challenging the accuracy of the Committee's reports as soon as they are published. That potentially starts to undermine public confidence in a way that we really cannot allow. I say for the record that you are nodding in agreement on that.

Gareth Davies: To reiterate, there is no problem with those reports, so there shouldn't be any concern about the accuracy of the reports. What you say is why we take quality so seriously. That is why we report transparently on our internal and external reviews. It is really important that we do that honestly and transparently.

I would be concerned in your position if you were being presented with a perfect slate of reviews of any kind. That is not real life, in my experience. It does not mean that we are blasé about any level of exceptions. It is a sign of a real process going on. We do not just pick it up, note it and tell off the team responsible. We feed it back into the training that we do for teams, in the same way as we do on financial audit quality. There is a healthy culture of learning from mistakes and strengthening processes in response. As long as we see improvement over time, I think that is a good process to have.

Q39 **Chair:** The NAO claims a financial impact of £11 for every pound spent.



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That has reduced from £13 per pound spend last year and £16 the year before. Is that a cause for concern?

Gareth Davies: It is certainly something we are tracking carefully. It is worth my saying a little bit about how we view this measure. It is an important measure of the impact that we have had as an organisation, but it is certainly not the only factor. What we certainly do not do is chase this measure at the expense of other important things about our work. That is the first thing to say.

When we select a topic for audit, one of the considerations we take is whether it is likely to generate financial savings opportunities, but there are lots of others as well. Is it an important area for parliamentary scrutiny, for example? We may not know whether it is likely to generate financial savings at that stage. It influences our programme selections, but it certainly does not dominate our choices. That is the first thing.

Secondly, in a period when a lot of our work had to be responsive to the extraordinary spending programmes on Covid, it was less likely that we would pick up areas of financial saving of quite that kind. They tend to be opportunities for modernising systems to drive out costs, for example, whereas what we were doing was saying, "How did you avoid losing money through fraud and error on these extraordinary schemes?", which do not lend themselves to the kinds of calculations that go into this. They are one-off schemes, so it is very difficult.

Chair: And at extreme speed.

Gareth Davies: I think some of it is a function of the mix of work that was necessary during the pandemic. Obviously, given the pressure on budgets, as we were discussing earlier in this session, we are looking very closely at the work we are doing and challenging whether we have enough in there that is likely to generate those kinds of actionable financial savings. It is a very important part of our contribution, I think.

Q40 **Chair:** One of the other things you measure is the level of satisfaction of MPs with the National Audit Office's work. Your report in 2021 shows the highest level of satisfaction ever since you started doing that measure. To what do you attribute that?

Gareth Davies: Covid, partly, just because our work was more visible, I suspect. People were genuinely worried about the extraordinary spending that was necessary and taken on. Our work was very high profile in a number of cases. I think that is part of it. I would love to say it was a brilliant strategy that was making an impact on MPs' perceptions, but I suspect it is just the sheer coverage that we were getting.

Q41 **Chair:** I thought perhaps it might also be partly because you are now doing work for more Committees than you did hitherto, rather than just the PAC, but you think it is mainly Covid.



Gareth Davies: I think so. Obviously, it will be interesting to see how the next set of results moves on. Covid is still there. We are still doing useful work extracting the lessons from it, but it is now a less dominant part of our work programme. It will be interesting to see how things develop.

Dame Fiona Reynolds: We have had an interesting discussion at the board about how we can engage with MPs who are not members of the PAC or Select Committees but who are nevertheless really interested in our work. One of the things that we do anyway is produce a parliamentary update, a regular newsletter. We realise that MPs are very busy and do not necessarily dig into the details, so we are thinking all the time about how we can provide tailored services for individuals, to show them that there are issues that we are looking at or have reported on that may be interesting, so that we can enhance the level of engagement for the wider community of MPs. We are really interested in any feedback you may have on that as well.

Q42 **Dame Meg Hillier:** On that point, before I move on, one of the things that is not such a new initiative in Parliament now is that members of other Select Committees can guest on Select Committees. We have had some guesting members on the Public Accounts Committee, who have been very welcome to bring their expertise. They have found that the way we work with the National Audit Office is quite instructive. They have then sometimes probably added to your workload by saying, "Can we do the same on our Committee?"

Could you give us a quick overview of the number of Committees that you are working with in a different way now, partly as a result of that parliamentary change?

Gareth Davies: We have some structural arrangements with other Committees that continue to work well. For example, the Environmental Audit Committee is able to commission a piece of work from the NAO each year. That is a very live discussion at the moment.

As you say, contact with our work on previous topics has built up good dialogue with, to list a few, the Work and Pensions Committee and the Defence Committee, as well as the Health and Social Care Committee, for which we have produced tailored briefings, for example on NHS dentistry and other topics. The number is growing over time. We are always responsive, even where we do not have a long history of work with a particular Select Committee. A very topical example is that the Chair of the DCMS Committee wrote to me concerned about the Unboxed festival. It is not a huge amount of money in the scheme of Government spending, but obviously a big concern given the apparent low attendance levels at the time he wrote to me. That is where we can make sure that we get to the facts, provide our own analysis and help the Committee hold a focused inquiry fairly quickly. It is a good example of where the responsive work we do plays a part with other Committees too.



Chair: Can I welcome Jerome? I forgot to say that Jerome is a new member of the Commission. You are very welcome. The fact that you are a Norfolk MP is only a bonus.

Q43 **Jerome Mayhew:** I think that is my main qualification. First of all, I apologise for not being here at the start. I was stuck in another meeting. I am sorry that I could not get here right at the start.

Looking at feedback, it is very good and positive from Members of Parliament, as we have already heard. You also sought feedback from finance directors and accounting officers, senior officials at the receiving end of your reports. The headline figure is that 70% of them agreed that your work was fair, independent and balanced. Seven out of 10 does not feel too bad. I want to explore the other 30% a little bit further. It could be terrible that 30% disagree that you were fair, independent and balanced, or it could mean something less. Could you unpack that—awful phrase—a little bit?

Gareth Davies: I will start, and Fiona might want to add to it. One thing I do not think they are challenging is independence. There is no suggestion from any of the people we are working with there that we have an agenda or that we are not coming to this as an independent audit body. I think fair and balanced is the key. The feedback is more on the value for money reports than it is on the financial audit, although there are some challenges there too, which I will come back to.

It is important to remember that for a permanent secretary of a Department, their main public exposure to scrutiny is through the Public Accounts Committee holding them to account on the basis of one of our reports. That is a really important part of the annual cycle of accountability for permanent secretaries. Views vary on how successful we have been in capturing their performance fairly in the schemes that we audit. I think that is what you would expect in this kind of high-pressure environment, where they are going to be questioned in public about the Department's performance on something.

We have a very strong process for, first of all, carrying out the fieldwork and drafting our reports, and then a thorough clearance process to ensure factual accuracy. In my time, I have never published a report without a letter from the permanent secretary of the relevant Department saying that they are content that it is factually accurate. That is a long way from saying they agree with all of our judgments, of course, but at least the Committee is not bogged down in rows about points of factual detail.

Q44 **Jerome Mayhew:** So that I get the actual basis correct—I have not seen what nature the feedback form takes—I grant you independence, but, on the point about it being fair and balanced, are you saying that the feedback is that those personnel who were not part of the 70% actively disagree with that statement, or is there a box you can tick or leave in the feedback form?



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Gareth Davies: I think they would say, "I think the NAO made too much of a particular finding and therefore the report was not the one I would have written." I am subject to independent reports, and sometimes I have this response to them: "I accept that that is an accurate point, but you have attached too much weight to it in your overall conclusion." It tends to be a judgment call about the overall conclusion we have reached, given the evidence we have collected.

Q45 **Jerome Mayhew:** What do you take from that? Do you think that a 30% dissatisfaction rating is about right, or does it give you cause for concern? Is it something where you are going to say, "Right, we're going to go back and look at this again"?

Gareth Davies: If somebody has given us particularly strong views in any of those, we always go back and make sure that we understand exactly what the point at issue is. It is unrealistic to expect that figure to be zero, and it would probably be a worrying sign. There is a sense of people being too satisfied with their audit. I am sure I cannot be the only person who has been on the receiving end of a scrutiny process that has been surprisingly soft. It is not in your interest to disturb them in that process. I would be worried if we were not getting some pushback at the judgments we were making. Clearly, if it is systematically pointing to an unfairness in our methodology, or if we have the wrong motives and are looking for headlines rather than a fair result, that is worrying territory, but we do not get that. That is not the sense.

Q46 **Jerome Mayhew:** Dame Fiona, do you want to add something?

Dame Fiona Reynolds: We are a bit concerned about morale in the finance function in government generally. The process of Covid and the extreme pressure that everyone has been working to, added to the complications of getting departmental accounts back on track, has been pretty exhausting. Sometimes they do not feel very highly valued in their own Department. Some of that may come through with, "And here's the NAO as well telling us we haven't got something right."

There is a general need, in a sense, to build up the confidence of the finance function in feeling that this is a really important area of responsibility. It really matters to have high-quality accounts signed off on time and that value for money reports add value and insight to what Departments are doing. Right at the moment, partly because of the very hyperactive world we are living in, everyone is feeling quite buffeted. For me, I completely agree that we are never going to get to 100%, but there is a complicated set of reasons why people may not rate the NAO as their best friend at every point in the process.

Q47 **Jerome Mayhew:** Was that a reason why you did not look for feedback from senior officials last year? You cited in your report that Covid was a reason. I do not really understand that. Why should Covid be a reason not to seek feedback?



Gareth Davies: I think it was loading an extra task on to some people who were overloaded.

Q48 **Jerome Mayhew:** It was the process that was under stress and not concern as to the outcome.

Gareth Davies: No. It was, "Please leave us alone." That was obviously a big factor in those schemes, and we take that seriously. Getting in the way of somebody who has lives to save and so on is a very serious business, so we have to be careful. It is actually live now. Not surprisingly, the PAC is very keen to understand how the energy intervention that has been announced for domestic and business energy users is being managed and how the risks to public money are being managed in that. We are closely discussing with the Department how best to get the assurance that Parliament needs without getting in the way of very busy people who are designing that in real time. That is a constant challenge at the moment.

Q49 **Jerome Mayhew:** Finally, we touched on value for money earlier and the decline in the headline number. The feedback from senior officials on your value for money work was not as favourable as other elements. What do you put that down to?

Gareth Davies: It varies. We get some very positive feedback as well, particularly where we have been able to audit early in the process and therefore help improvement in real time. I would put it down to the fact that this is the comparatively challenging bit of our work with Departments. The financial audit process is very well established. It is an annual cycle with close dialogue with the audit committee and management. Only in exceptional cases does it become a headline matter for the Department, as it actually did for the Department of Health and Social Care last year. Most of the time it is below the public radar, whether that is good or not. That is the reality of the financial audit work.

The value for money work is nearly always headline news because we only do 60 of those reports a year, and for a Department it may be only one or two or up to four in a year. In terms of reputation and so on, it is a higher risk process for them. It comes with a higher level of anxiety for that reason.

Dame Fiona Reynolds: I meet permanent secretaries from time to time, partly to satisfy myself that I understand what it feels like to be on the receiving end of a value for money report from the NAO. Most of the feedback I get is extremely positive. Sometimes they do not like a particular report, but I have never yet had a discussion that has not contained, "We're really glad there is an NAO doing this work. It's really important. We understand the significance of it."

I think it is what led to my earlier remarks about what, in our reports, leads to things getting better. It is one thing to identify problems and point them out very clearly. It is another to feel that our work has led to



improvements, whether the cost savings which we discussed earlier or actually in many cases better delivery, better implementation or efficient use of resources and better outcomes. That is where we spend a lot of **time: trying** to make sure that our recommendations are as clear and as useful as possible, but I suspect we could always do more on that front. We are really interested in that level of dialogue with senior officials, on how we can add value through the kinds of recommendations we make to delivering better public services.

Q50 Peter Grant: On page 34 of the annual report, where you refer to the external review of VFM work, at the bottom of the page, you say that external reviewers “also identified, in some cases, opportunities for explicit or stronger judgements in conclusions”.

In layperson’s terms, does that mean that at the same time as the Department you have audited thinks you have been a bit hard on them, sometimes another team of audit professionals said that you could reasonably have been a bit harder on them had you wanted to be?

Gareth Davies: That is part of our process for the external reviews. We ask the reviewers, “Having read the evidence set out in the report, can you see that the conclusion is appropriate and backed up by that evidence?” Yes, sometimes there is feedback in both directions: “This one is crystal clear, and it looks exactly right,” or, “In this case, maybe the evidence in the report is stronger than the way the conclusion reads.” That is their challenge to us. That does not mean that we’ve got it wrong. It is a qualitative view from another professional. We take it in the spirit that is meant, which is a challenge to us to say, “Are we content that our processes give us a well-evidenced conclusion?” We have a good process for achieving that, with lots of review and challenge built into it.

Again, a bit like my previous answer to you on VFM quality, this is a really healthy process for us. There aren’t two National Audit Offices. We cannot compare ourselves to a competitor doing exactly the same work with the same client base, so we rely heavily on these challenge processes, and we take them seriously. Do I look back on any of our reports and think that we somehow missed an important conclusion or that we pulled our punches? Definitely not.

Q51 Dame Meg Hillier: Comptroller and Auditor General, you mentioned earlier looking at the energy price cap and that approach. One of the criticisms of both the NAO and the PAC in the past is that we look at things too long after the event. I have to say that during Covid your work was so fast that we could start looking and challenging the Government in June 2020. In fact, I had a conversation with the permanent secretary at the Department of Health and Social Care in February 2020 when he was helpfully making it clear that he was willing and keen to be scrutinised.

Are you getting that same willingness from the Department for Business, Energy and Industrial Strategy about the energy cap? The benefit of



going in early on Covid was that, even if the Government did not always do it, we were able to highlight, with your support, the problems that were coming in those early Covid schemes because they were in such a rush. Obviously, there were going to be issues. We knew that, and getting in there early was helpful. It is a moot point whether the Government picked up on every lesson. Are you getting a positive reception that, if you get in early on energy, we can actually try to save taxpayers money and make sure that mistakes are not made?

Gareth Davies: Yes. We are having good discussions. I have met the permanent secretary to talk about it, who completely accepts the need for us to do some work. It is the same with officials at working level in the Department.

What they are saying to us, though, is that the experts there are flat out. I think they distinguish the domestic scheme and the business scheme. The domestic scheme is in a heavily regulated area where the suppliers are well understood and there is good information about bills and so on. The business energy world is not regulated in the same way at all. There is much less knowledge in government about how it works, and there are much more complex commercial arrangements between business customers, brokers and energy suppliers. They are having to do a lot of the design work on that at high speed.

They have said to us, "Can we talk about timing so that we are not held up in our essential work of getting this scheme off the ground?" Our experience has been that, as long as we understand that and we approach it sensibly, there is a middle way through to make sure that we can produce timely work, not just for Parliament's benefit but so that there is a feedback loop into what the Department itself is doing. At the moment, I am confident that we will be able to do something on a sufficiently timely basis, but we accept that it is a genuine problem. It is not straightforward to make time for an auditor asking you just to repeat yourself if you are up against very tight deadlines.

Q52 Dame Meg Hillier: I appreciate that you are auditors. You are there to look at something that has happened, but with Covid and Brexit there are examples of schemes that have happened, sometimes at pace, where fraud and error, particularly with Covid, were particularly egregious. Have you had a good reception from the Department, talking through the lessons learned and how they can design those out? Even though your auditors are looking at it after the event, the cross-cutting themes that you have been working on can help that thinking.

Gareth Davies: They are explicitly explaining how they apply the learning from the Covid experience. There are obviously different schemes with different players involved, but the same principles; the money has to be accurately allocated fairly quickly.

For example, it was BEIS for the bounce back loan scheme. It is also BEIS for the energy scheme. The same people on the departmental side



are explaining how they use the ministerial direction process, for example. There are some things that could have gone differently around fraud and error controls in that scheme. They are sharing that experience with the teams that are designing the energy schemes, particularly the business energy scheme, which is the riskier of the two.

Q53 Chair: I would like to bring in Jack Brereton on staffing, but before that I want to return briefly to the previous discussion about the views of senior officials on your value for money work.

I have not sat on the Public Accounts Committee for five years, but I sat on it for 16 years and met goodness knows how many permanent secretaries over some 800 hearings. My experience was that permanent secretaries varied in their appetite and enthusiasm for attending the PAC. Some appeared to enjoy it, and some appeared to do everything they could to be—how can I put it?

Dame Meg Hillier: Obtuse?

Q54 Chair: I won't say obtuse. Less helpful. There was a definite variance.

Thanks to your marvellous website, I called up the report you did on the assessment of the capability review programme, which was tattooed on my eyelids at the time—5 February 2009, HC 123. Among other things, it looked at the views that members of staff had of their top managers. In fact, it took 170 snapshots across 17 Departments, 10 per Department, looking at things like human performance, electronic Government performance, financial management and so on. It found that of those 170 snapshots, in two thirds of cases Departments were less than well placed or worse.

One thing that particularly came out was a very clear theme of low opinion of the top management of Departments by many of the people who worked in them. Is it possible, first of all, that the reason some permanent secretaries react in the way they do, as Mr Mayhew was discussing, is that they are being overly defensive and that the operation that they are running, or the way they are managing it, does not exhibit the right degree of skills, and the ability of managers in government has been a constant theme? Are you thinking of revisiting that work from 2009?

Gareth Davies: The capability reviews were a Government initiative, weren't they?

Q55 Chair: Yes, from Gus O'Donnell from 2005. This was looking at them four years on to see how they had gone, and the answer was not nearly as well as they might have done.

Gareth Davies: It is a very interesting question. Has the time for something like that come round again? At the moment there isn't a systematic public assessment of departmental capability in quite the way that those reviews did it. It is much more powerful if led within Government rather than imposed from outside by a body like the NAO.



Apart from anything else, it would take all of our resources for many years and we would not be able to do anything else.

I remember that there were many strengths to that programme. As a long time has elapsed since it ran, it is a really interesting question: what would a modern version of that look like and what value would it add? Would it be worth the cost? That is a very fair question.

Your point about the importance of leadership to any organisation, and getting value for money in any organisation, is a central one for us. We have started a new programme of work on the leadership theme ourselves. We are starting reasonably quietly with an updated review of how the Government are developing their own leaders. We are looking at leadership development in the civil service. We are then broadening that out into more evaluative areas. It is exactly your point about subjective assessments of the quality of leadership and the correlation between departmental performance on value for money, particularly, and leadership. Then there are areas like diversity, inclusion and so on.

Q56 Jack Brereton: Over the last year, there has been a significant increase in the number of staff working at the NAO. The number increased from 882 to 939 in the last year, including temporary staff. Could you explain whether there have been any challenges, particularly financial challenges, in absorbing that increase in growth?

Gareth Davies: It is, essentially, to keep pace with the volume of work that we have had to do, as we have discussed here several times. Absorbing that number of people has not been the challenge at all. The challenge has been having enough people in the right place at the right time to fulfil our commitments to our work programmes. That has been the big pressure.

This report goes up to the end of March this year. Since March we have had quite a serious increase in pressure on our retention and recruitment. Our turnover figures have gone up substantially since March, as is the case in many similar organisations in our sector. At the moment, we have more serious retention and recruitment problems than we have had for many years.

The market for qualified auditors is very hot at the moment. We are seeing double-digit pay increases at our competitors, which obviously we cannot compete with directly. When we talk about next year's estimate in a couple of meetings' time, we will be explaining what we are doing to improve our competitiveness in the pay market. Turnover of newly qualified auditors is now well above 20%. That is getting to the level where it gives us genuine operational problems. If we have somebody lined up to lead an audit and they give us two months' notice, we struggle to have somebody with the same level of knowledge in place to be able to deliver the audit on the same timetable. It has been a genuine headache.



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The dominant staffing issue for the organisation at the moment is filling gaps as they arise and improving retention. There are lots of things we are doing about that. Pay is one factor, but there are others. We are improving our recruitment process as well, which have to work overtime at the moment to fill the vacancies that we have. That is the dominant people issue for us.

Without the numbers we would not have been able to deliver the higher volume of audit work that was necessary in the pandemic years. One thing worth mentioning is that the impact on some of these accounts from the last couple of years is long term, not just short term. For example, the BEIS annual accounts are unrecognisable from three years ago. There is an entire loan book with billions of pounds of pretty risky debt sitting there. Obviously, now there is going to be a new set of accounting challenges around the energy schemes. Just that one Department has become a completely different proposition to audit from a couple of years ago.

Q57 Jack Brereton: You mentioned vacancies. What proportion of vacancies is the organisation currently carrying?

Gareth Davies: Daniel, you have the data.

Daniel Lambauer: We usually calculate this by grade. As the C&AG said, the turnover rate is higher than our target in all grades apart from the director grade. To give you some numbers, managers are 11% and the target is seven. The principals are 26% and we usually have a target of 15%, now 20%. Senior analysts are at 17% with a target of 12%. Analysts are on 32% with a target of 16%, although analysts are smaller numbers.

We have recruitment efforts in almost all grades apart from directors. We are hiring externally project managers and audit principals. We keep going as well on our trainee graduate pipeline. We have not quite reached the numbers yet that we want to reach. We are 20 short for the year from where we want to be.

Q58 Jack Brereton: What figure do you want to get up to?

Daniel Lambauer: As we agreed with the Public Accounts Commission in our estimate last year, we have 940 as our complement. We are on 920 now, so we have another 20 to go to make up the gap. If everything goes well on recruitment, it is positive. We even have some people coming back to us who joined other organisations and are noticing that we have a good value proposition for them. If that continues, we will be at 940 at the end of the year.

The toughest market at the moment is in the graduate market, where we are 20 short of where we want to be. We do not usually continue running recruitment centres in the autumn, but we have to this year to get up to that number.



Q59 **Jack Brereton:** A lot of your plans around use of office space are based on renting a lot of it out. Do the plans to increase your headcount impact on that?

Gareth Davies: No. Our current plans for the building are based on this level of staffing. As you know, we have moved into a smaller proportion of the space in our main London office, and we are actively letting out the space we freed up as a result. We have let one floor and there is a second one under negotiation at the moment. It is not a very strong commercial property market at the moment, but it is active, so we are confident that we will be able to let that space on the timetable we have.

Q60 **Jack Brereton:** I notice that you received around half a million less in rental income than in the previous year.

Daniel Lambauer: It is probably a bit less than that, but, yes, it is a difficult commercial market at the moment. We have been quite prudent in our forecast, so I think this year we are probably only one floor short of where we wanted to be. We thought it would be a difficult market and we didn't budget that highly. Next year will be a bit more of a challenge to fill more floors to fit our financial forecasts.

Q61 **Jack Brereton:** Is that going to impact on your wider financial position?

Daniel Lambauer: Obviously, if there is less income from the rental. It's not a huge amount in terms of the shortfall we would have—let's say £200,000 to £300,000—but, yes, obviously it would be a different income level than we expected to have.

Q62 **Jerome Mayhew:** How big a thing is remote working for you, as an organisation? Is it a hangover from Covid or is this the bright new future?

Gareth Davies: We already worked very flexibly before Covid, so we had a lot of off-site working, as you would expect for an audit organisation, spending a lot of time on site at our audited bodies. The move to fully remote working, when it was required, was very smooth, because we had systems set up to do that. We adapted pretty well to the remote working that was necessary, and since the controls have been lifted we have adopted a principles-based approach so that people could decide, against those principles, "Where can I be most effective?" It wasn't about personal preference; it was about, "How can my team make the contribution to the NAO that it needs to make, and how do I play a full part in the organisation?" We were clear from the start that that means spending some time together—physically together—some time with our audited bodies and some time working remotely. That is the way this has developed over the last six months, I would say, since all the Covid restrictions were lifted.

It has gone pretty well. We have seen numbers in our two offices, London and Newcastle, build up gradually over that time. Once people have come out of remote working mode and re-engaged in office life, they have tended to want to carry on doing that, so there is a bit of a ratchet effect. Once we get people doing it, it has worked well. We have just done a big



review of how that is going, and, broadly, the answer is pretty satisfactorily for most people, but with a bit of a sense that it is not quite consistent yet. There are still some parts of some teams where people are not coming in as much as we need them to.

The point is that we do not actually mind where people work, per se. What we must have is a rich learning environment for our trainees. We are a big training organisation. We have, at any one time, around 200 people training as auditors. Of course, none of us ever stops learning, either, after we have qualified, but for those trainees it is critical that they are in an environment where they see people doing the job, and hear how they deal with setbacks and problem people. It is all the informal learning that you pick up because you are around experts; you don't get that if you are sitting at home looking at a screen.

Q63 Jerome Mayhew: You have previously raised that as a serious concern. Given the halfway house you are in at the moment, as you describe it, are you substantially reassured that the training ability is now being maintained, or is it still a work in progress?

Gareth Davies: We are not quite there yet, is the truth of it. This review is allowing us to say that we are now going to finish that journey and get to the point where we can guarantee that experience for people. This is not going back to full-time office working, because we were never there before the pandemic anyway, as I was saying earlier. We remain very flexible, but most trainees are, I think, now getting a better experience. It is not quite there yet for everybody, so we are just firming up how it is working. This is about leadership and management.

Q64 Jerome Mayhew: I notice you have a drop-out rate within the training contract of 10.6%. That is a concern, isn't it? Do you think it is a consequence of the challenges of giving and receiving training in a—

Gareth Davies: You are right. It is higher than we want it to be. You always get some drop-out rate. Not everybody is as seized of the joys of accountancy as the rest of us, but 10% is too high for that, so we need to get it back down again, to about half that. It is partly due to the pandemic experience. I certainly underestimated the impact on a whole cohort of young people of the last three years. Obviously, we are recruiting now for people whose university time was blighted by Covid—seriously impaired. Daniel mentioned the difficulty we are having filling in the last few vacancies in our graduate programme, which is unheard of for us.

That is a general problem across the accounting profession, but normally the NAO is so distinctive that we don't have trouble attracting high-quality recruits at graduate level. What we hear a lot is either, "I had a terrible time when I was at university so I'm taking a year to do a master's, where I can properly immerse myself in university life, and I was not planning to do that before"; or, "I'm taking a year out and I'm going travelling with friends, so that we can actually enjoy some freedom that we didn't have." The knock-on effect on organisations like us, for the



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pool we are recruiting from, is noticeable. Some of that carries on to the ones we do recruit, who are quite hungry for a really rich learning environment, rather than being sat behind a screen at home, which is an isolating experience for all of us, but particularly for those who need to learn the job.

Dame Fiona Reynolds: I have to say that this is not a problem that is unique to the accountancy profession at all. With my previous experience I am seeing this all over the place: graduates are very unsettled. We may see a whole cohort of young people for whom conventional routes into work are not going to be the same. Obviously, that poses particular challenges for us, but it comes back to the point about leadership and management. We need to make the experience really rich and valuable, and make sure that people feel that, whatever they may go on to do in the future, this has been a good investment of time, and we have supported them through it, but it is happening all over the place at the moment.

Q65 **Chair:** I want to bring in Peter Grant and then Meg, but on this point—I particularly think of this because of a conversation I took part in with Jerome some years ago when the subject came up of *The Sunday Times* list of the best organisations to work for, and it turned out that Mr Mayhew had run one—do you, as an organisation, sit there, when you are navel gazing, and ask yourselves “Are we doing the right things to get into the top 10 or 20 in the public sector, in the relevant category of *The Sunday Times* best organisations to work for?” Is that one of the ways you look at it?

Gareth Davies: We don’t enter any of those formal schemes, because we have our own ideas about what our priorities are, and our focus has been on what we need to make the organisation, in our phrase, an exemplar employer, as well as an exemplar organisation in the way we perform our function. That has driven a lot of what we are doing on our people agenda. You have seen, in the annual report, a lot of information about how we are driving diversity and inclusion, so we are attracting a wider group of applicants, which is just as well, given the pressures we have just been describing.

We are working very hard not just on recruitment, but progression through the organisation. We have just hit the milestone of passing through 50% of our managers being female. We were some way short three years ago, so there has been rapid progress to that. That is the pipeline for future directors and senior leaders of course, so it bodes well for the future. Those are the areas we focus on. We have not chased awards or schemes. They can have a useful mobilising effect, but at the moment we are so focused on our objectives.

Q66 **Peter Grant:** Going back to the change in working practices that was forced on everyone during Covid, the other big impact on your staff would have been that they spent very little, if any, time on site at the client Departments’ premises, with very little face-to-face contact with



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the client. Everything would be done by phone or down the internet. Is it possible at this stage to tell whether that had any impact either on productivity and the time taken to do the work or, indeed, on the quality of the end product?

Gareth Davies: There is no simple correlation there, but there is a lot going on under that question, I think. For auditors it is really important that we get out to meet the people we are auditing, and to see the things that we are auditing, if it is about big infrastructure projects, and so on. That has returned, so our teams are now able to make field visits in the way that we would have wanted before, which I think is important, to make sure we have a good understanding of what we are auditing.

There is something about auditing, as well. In the end, auditing is about relationships and trust. Fundamentally, the financial audit is: "Can the reader of these accounts trust the reliability of these numbers?" Lots of those numbers are not objective products of systems. They are the judgments of the people responsible for the business. That is where a lot of the audit risk resides—those subjective judgments. Have the estimates been very aggressive, are they well evidenced, and so on? To be able to do that job properly is partly, yes, technical. Do you understand the accounting rules and have you challenged in the right way? It is also about the body language of the people you are auditing, and the sense you pick up from a face-to-face meeting with them.

I am pretty clear that good auditing requires you to meet the people you are working with. For example, I think audit committee meetings are still in many cases being held remotely. I do not think they are anything like as effective as when they are face to face. We are encouraging the organisations we work with, first of all, to allow us access as we need it; that is going well, I think. We are also encouraging more face-to-face engagement through the audit process, including with the audit committee, because I think it is important for quality. All the conversations you can have in the margins of those meetings don't happen in the same way if you have just dialled into a Zoom call. A lot of the insights and improvement messages you get from the auditor are not in the formal papers on the agenda but in the surrounding conversation, so, yes, we are encouraging all of our audits in that direction.

Q67 **Dame Meg Hillier:** We have talked about the junior end of recruitment, and it is welcome news about the manager level. You are also quite busy recruiting audit principals. Is there a gap in that area? What is your target, and how is that going?

Gareth Davies: On diversity?

Q68 **Dame Meg Hillier:** Generally on the numbers, first, but also diversity, yes.

Gareth Davies: That is the most pressurised grade for turnover and recruitment. If you are a qualified accountant in the current market you are hot property. One of the banes of our life is LinkedIn, because it has



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allowed recruiters to bombard our staff with tempting offers, and people are going for very substantial pay increases in very good jobs, which is partly excellent. The reason we have a 20% turnover target is that it is very healthy for people to qualify with the NAO and go on to good jobs in other sectors and other organisations, and build their career. Getting above 20% is when it becomes a problem for us.

Yes, it is a highly pressurised area of our skill mix at the moment, and, when we talk about our estimate for next year, part of that package will be presenting you with a change to our pay and grading structure specifically aimed at that group of staff. I won't go into the details here, but essentially the proposal is to create a new grade that means that people get faster progression once they qualify. It more closely mirrors the approach that the firms take. The current structure has worked quite well for the NAO for a few years, but it needs a change now to make sure that we are competitive in what is a very lively bit of the employment market.

Q69 Dame Meg Hillier: It seems to us that you are recruiting a lot of these audit principals to do VFM study lead roles, but senior analysts also do that role. Can you explain why you have different grades leading on that and if there are any tensions because you have people on different pay scales?

Gareth Davies: Daniel knows the history of that better than I do, because it goes back a long way. In the very early days of value for money work it was financial auditors turning their hand to value for money. Some of that still happens, but increasingly over the years we have specialised in it, and it is now a specialised recruitment route for analysts and senior analysts to become VFM managers of the future.

Q70 Dame Meg Hillier: Is there a tension, Mr Lambauer, about the different pay scales?

Daniel Lambauer: What the C&AG said is absolutely correct. Historically speaking, financial audit was brought into VFM work. I think the analyst grade was only introduced in the 2000s; it was before my time, so it must have been before 2009. I actually joined as a senior analyst of the National Audit Office. Many of us brought analytic skills to the organisation. It was meant to supplement the project management and understanding of numbers and accounting of the financial auditors. Over the years, fewer financial audit principals have moved over to VFM full-time. Some have mixed portfolios as well. The senior analyst grade has become more established, as a kind of separate line on the VFM side.

Q71 Dame Meg Hillier: Can you have two VFM studies, one headed by an analyst and one headed by an audit principal? Both are being paid to do the same job, but on different pay scales.

Daniel Lambauer: Yes, VFM audit principals, as we call them, and senior analysts are both qualified to lead studies. There are slightly different pay scales. We are looking at this at the moment in our pay framework



review; that is correct. It is a slightly different market, as well, so some are qualified financial professionals and others are not.

Q72 **Dame Meg Hillier:** That is the difference. Does it cause any tension?

Gareth Davies: Yes, it does, and it is one of the areas of the proposals that I mentioned just now; another change we are making is to reduce the gap between the two.

Q73 **Dame Meg Hillier:** I guess you are an unusual organisation in the field, in that you have those two roles. Do others—does the private sector—

Gareth Davies: In the sense that in a firm you would have an audit stream, a consultancy stream and a tax stream, juggling different specialist trades within a professional services firm is quite a common challenge, because they are different labour markets.

Q74 **Dame Meg Hillier:** But in the NAO they are actually working in the same field, aren't they?

Gareth Davies: Yes, but that could be the same in other organisations, as well, where you have multidisciplinary teams working together.

Q75 **Dame Meg Hillier:** We are waiting for your proposals. You have warmed us up nicely for that—very cleverly done. You deserve to be a mandarin on the basis of that.

Finally on diversity, you have spoken to us before about the diversity of new recruits coming through, and your trainees in the summer reflecting modern Britain, I suppose, to put it in simple terms. How is that going generally across the organisation and at different grades? You mentioned women at the manager level. I know you came in, Mr Davies, with a very clear agenda to improve this. How is it progressing?

Gareth Davies: It is going well overall, and very well on gender, where I think we are on course to eliminate the gender pay gap on the timetable we set ourselves, which is by 2027, I think. It is patchier progress on ethnic minority staff. We are brilliant at trainee recruitment, actually. We are hitting our targets every year, at the moment, on very wide reach into different communities for graduate and school leaver recruitment. By the way, that has a big impact on social mobility as well, where, again, we are hitting our targets on social mobility at different levels of recruitment—two very positive things for, essentially, making sure that we do not miss talented people because we have too narrow a focus on recruitment.

The challenge on ethnic minority staff is retention post qualification, where we have a higher turnover level in that group of staff than the rest of the staff. We are working really hard on that. We are doing some mentoring schemes, for example, and of course this is one of the things where, if you have role models at higher grades through the organisation, and people can see themselves in that role in a few years' time, it makes a huge difference to their propensity to stay with us, rather than going



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somewhere else. We are putting a lot of effort into those mentoring schemes.

Q76 **Dame Meg Hillier:** Are you doing exit interviews with those who are leaving?

Gareth Davies: Yes, always.

Q77 **Dame Meg Hillier:** The role model element is important.

Gareth Davies: Yes, and that used to be said a lot in the NAO: "I look up and I don't see many people like me." Obviously as we make progress we get less and less of that feedback.

Q78 **Dame Meg Hillier:** At more senior grades, what is ethnic diversity looking like?

Daniel Lambauer: I think we are looking at around 11% of directors and EDs being ethnic minorities at the moment.

Q79 **Dame Meg Hillier:** So some way to go.

Gareth Davies: Yes.

Chair: Jerome, do you want to come in on this?

Q80 **Jerome Mayhew:** Meg has covered most of it, but I want to understand a little bit more about what diversity means in practice. I saw in the notes that over 50% of your graduate recruits are from an ethnic minority. That is very substantially higher than the national proportion of the population. Why is that? Is it an area that particularly attracts ethnic minorities? Are you pushing at an open door, or are we seeing something else?

Gareth Davies: We are aiming for about 40% a year, so it varies. It has been below that and above that in recent years, but 40% is partly because we are recruiting the bulk of our recruits in the London area and it is not that far off the population mix in London. We also recruit heavily in the north-east, where it is a different proportion. Again, you will see that there is a different mix of our north-east recruits—

Q81 **Jerome Mayhew:** Can I butt in on that? Are you saying that the London recruitment reflects pretty accurately the mix of the London population, and the same is the case for Newcastle?

Gareth Davies: Yes, although we have made more of an effort in Newcastle, because our experience has been that if we didn't make an effort in Newcastle we could end up making almost no progress on diversity there; so there is a bit more of a focused effort going on, with recruitment fairs at the universities in the north, and so on. That is helping there.

Obviously we are open to recruits from anywhere in the country, but, because of the insistence that life in the office is an important part of your experience as a trainee, what we are not going in for, as some



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organisations are, is fully remote recruitment from anywhere in the country, where people work remotely. That does not work for a trainee at the NAO, so we have to recruit from people who can access the London office, as well as the Newcastle office.

Another societal change that we are observing is that it is harder for people to move to London. That is what I did when I graduated. I didn't come from London, but I moved there for work. That is a bigger barrier now, just cost-wise, than it ever has been. That is our experience, and the feedback we are getting. It is starting increasingly to restrict you to people who are already based here, and who have come through the school system in London and the south-east. That feels like a pretty restrictive development, and is something to watch, I think.

Q82 Chair: It is also, presumably, something that you are thinking about in terms of the development of your Newcastle office, which we are going to be talking about on 3 November. If you are now cross-disciplinary, cross-team, between your offices, as I, having visited your Newcastle office, now understand you are, there is presumably significant scope for creating opportunities by expanding the Newcastle facility.

Gareth Davies: That is our plan, not in some sort of dramatic, overnight way, but gradually building up the proportion of our staff based in the Newcastle office. We will discuss that with you when we talk about the office itself. That is the plan.

Q83 Jack Brereton: Your recent staff survey has shown a decrease in your staff engagement score from 7.3 out of 10 last year to 6.9 this year. Could you explain a bit more what this staff engagement figure relates to and what it encompasses? Why do you think there has been that sort of decrease?

Gareth Davies: This is a big metric for us, and we focus on it a lot. It is a big concern if it goes in the wrong direction. Daniel, do you want to explain how it is made up?

Daniel Lambauer: It is a composite indicator; it is benchmarked against other organisations as well. It goes into questions about if you were offered another job with another employer and questions about job satisfaction, so it is a range of indicators. In our annual report you see some underlying measures, and they feed into the algorithm to produce the engagement score, which is done by the company we procured the software from.

Gareth Davies: The three big drivers of this reduction are pay, workload and what they call growth, which means development, progression to the next level, and so on. Those are the three drivers. We have said a lot about pay already in this session. We have fallen behind, is the truth of it, and people are able to go to our competitors for significantly more money at the same level. We are going to do what we can about that in



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the restructuring of our pay grades that I talked about. We can only go some way towards that.

Crucially, on workload, I talked about the experience of the teams that have never stopped auditing since the pandemic started. That is improving for some teams as we go along, but it is still a very pressured environment and we are working hard to make sure that teams are properly resourced for the workload they have.

Personal growth is obviously a bigger question. Ironically, some of this is helped by turnover at the more senior levels. It is not long ago that, as a management team, we were starting to fret about too low a level of turnover at our audit manager grade, because it was not opening up sufficient opportunities for people who were developing and wanting promotion, so we were losing them. People are not going to wait around indefinitely for opportunities. Actually, the uptick in audit manager vacancies, although not free from problems, has allowed us to promote our best audit principals promptly, and helped us retain them.

This is a complex picture, but on the personal growth point we are putting a lot of effort into staff development, making sure that people are not just assigned to the same old work year after year, but we give them work that is going to stretch them and help them to learn new skills. Everybody has their own personal development plan, which sets out the input that they are getting on their own development. We are working hard on all three of those big drivers of the reduction, because it has continued into the current year as well, beyond the end of March.

Q84 **Jack Brereton:** It is a declining trend.

Gareth Davies: It has flattened out now, but it is not where it needs to be.

Q85 **Jack Brereton:** Are you hoping that next year it will be better?

Gareth Davies: Of course. We want it to increase back to where it was. On the big steps we have taken, pay is probably the most obvious and practical step. That is the one that people will see the difference in, because of the new grade structure that I have described, trying to make our pay scales more competitive. In the end, I think what will drive this is people's sense that they are part of an organisation doing interesting and useful work, and they personally are being stretched and developing quickly themselves. That is the real key. The work will certainly be there to allow them to do that. We just need to make sure we fend off the competition.

Q86 **Peter Grant:** Could I stay on that point for a minute, Mr Davies? Going back to the discussion we had earlier, about the unusual circumstances in which you were signing off accounts, and then nothing happened to them, because there wasn't a Minister to take them forward, given that you have people who worked almost round the clock for weeks, or even months, because they wanted to hit the target of pre-recess, and they



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then saw the product of all their hard work sitting in an in-tray for two months waiting for a Minister to be appointed to sign it off, how do you manage the impact that has on the morale of those people? How do you motivate them to do the next audit as quickly and as well, when it appears to them that they have done their bit and nobody cared what happened to it?

Gareth Davies: It is obviously very frustrating for the teams affected. It was not every team, but for those it did affect it was very frustrating. We obviously have plenty of work for them to go on to, so it is not as if they are having to sit around waiting for anybody. We are fully programmed, so everybody was immediately on to the next job; but the point of this is to provide positive assurance to Parliament that these accounts can be believed, and some of them languished unnecessarily for two or three months.

Q87 **Peter Grant:** For a lot of your staff, clearly the financial rewards are nowhere near what they could get elsewhere, but a lot of people will take strong motivation from knowing they are doing something in the public interest, and it can be difficult to feel that that is appreciated if your report literally sits for weeks or even months.

Gareth Davies: That is true, and it is important that it does not happen. People obviously understand that strange things happen in the world of politics, and part of the fascination of it is that you are close to, or at least have a front row seat for, some of those developments, but when, as you say, it comes to intense work leading to delivery by a deadline, and then it just hangs around, that is a problem.

Q88 **Peter Grant:** Thank you. Going on to a different topic, the annual report this year said you had one incident of internal whistleblowing, where a staff member raised concerns about potential improper or unlawful conduct. Are you able to give us any more information in the public forum?

Gareth Davies: Not in public, because it boils down to an HR matter, but I am very happy to brief the Commission in private, if you would find that helpful.

Q89 **Peter Grant:** The key test for whistleblowing of that kind is that it can still be a legitimate and valid raising of concern even if, after investigation, it turns out that there wasn't anything going on. Are you able to tell us whether that report led to a discovery of actual issues that had to be addressed, or was it simply a mistake?

Gareth Davies: It is a matter of substance, so, yes, I am happy to explain.

Q90 **Chair:** One more question, which is about the annual report's reference to external complaints. There were 11 in 2021-22, five of which were not resolved in the financial year. Are these independent members of the public writing in and not being satisfied with what the NAO says? Can you



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characterise a little more the nature of those complaints, and is there information that you feel you can give us about them?

Gareth Davies: They tend to be from members of the public who have reached the end of their tether with some part of the public service. We are the end of a very long chain of complaints, usually. The bulk of them tends to be that somebody is dissatisfied with the way a service has responded to them. These can be very emotive areas as well. For example, the highest correspondence we get on any topic is on child maintenance, which generates strong feelings all round. If somebody has come to the NAO, it is usually because the complaints process for the service itself has been exhausted, and they are not satisfied with the way it has been dealt with, and want somebody independent to take an interest. Obviously, if it is within our remit, we respond and are as helpful as we can be, but what we certainly can't do is become another complaints process.

Q91 **Chair:** Is it sometimes because the members of the public writing to you just misunderstand the role of the NAO?

Gareth Davies: Yes, which is understandable. It sounds like the kind of organisation you would go to if you had a problem with how you had been dealt with by public services. Quite often we refer people to the right people. It could be the ombudsman, for example, if it is the relevant service area. Sometimes it is the police, if it is actually an allegation of criminal conduct. We have a careful system for referring people to the right agency. Sometimes it is work for us, and we pick them up and deal with them as cases, in that case.

Chair: Thank you very much. That concludes today's evidence session. We look forward to seeing you again on 3 November to discuss the Newcastle office, but in the meantime, C&AG, Mr Lambauer and Dame Fiona, thank you very much for attending. The Commission will now deliberate in private.