National Audit Office

2021 Value for Money Study
Strategy Investment

November 2021

HC 872

Audit / Tax / Advisory / Risk

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National Audit Office

2021 Value for Money Study Strategy Investment

Ordered by the House of Commons to be printed on 23rd November 2021

This report is presented to the House of Commons pursuant to Paragraph 26(3) of Schedule 2 to the Budget Responsibility and National Audit Act 2011.

Value for Money Study: Strategy Investment

HC 872

Contents

This report is prepared solely for the use of the Board and senior management of the National Audit Office and presented to the Public Accounts Commission (TPAC). We accept no responsibility for any reliance that any additional third parties may place upon the report. Where this report refers to matters of law, it should not be taken as expressing any formal opinion whatsoever.

Crowe U.K. LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales and is authorised and regulated by the Financial Conduct Authority.

Summary

1. The National Audit Office ("NAO") supports Parliament in scrutinising government's performance, providing high quality, objective evidence and analysis. The new strategy (2020-25) focuses the NAO on providing effective support to Parliament whilst providing insight to those responsible for public services.

2. As part of its own external scrutiny, the Board of the National Audit Office commission its external auditors, Crowe U.K. LLP (hereafter referred to as "Crowe"), to undertake an annual Value for Money ("VFM") study to assess the extent to which the organisation is achieving VFM in its use of resources. This year the review focused on the NAO's Strategy Implementation.

3. In accordance with the 2020-2025 NAO Strategy, the NAO's three key strategic priorities are; improving its support for effective accountability and scrutiny; providing more accessible independent insight; and increasing its impact on outcomes and value for money. Three key enablers have been identified to achieve NAO's strategy; attract, retain and develop high quality people; make more effective use of technology, data and knowledge and aim to be an exemplar organisation.

4. The overall objective of the review was to provide assurance that the new strategy is being implemented in line with VFM principles. A key mechanism to assess and monitor the new strategy implementation is the Organisational Development Plan ("ODP"). Within the ODP actions have been developed across seven key themes. Each of these is within a balanced scorecard that cumulatively aims to address the NAO strategy for 2020-25. A further two thematic areas, 'Culture and Values' and 'Organisational Design' are component parts of the ODP outlining what the NAO aim to achieve overall and are embedded within the other seven themes.

5. The Public Accounts Commission ("TPAC") approved a series of additional investments to support the strategy. These on-going investments comprise three principal areas:

1 **The Audit Transformation Programme ("ATP") – circa £2 million**

2 **Value for Money – circa £1.5 million**

3 **Knowledge Management – circa £0.3 million.**

6. Our work has included a review of each investment to test the systems and control established as part of the strategy implementation to ensure VFM.

7. The overarching approach has been informed by adopting the principles the NAO apply when assessing programmes of work:

Value:

- Do the investments made to implement the ODP provide value for money?

Programme Set-up:

- Is the ODP set up in accordance with good practice and are risks being well managed?

Delivery and Variation Management:

- Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?

Key Findings

8. **Overall, from the work undertaken, the new strategy is being implemented in accordance with VFM principles**. The ODP has been set up in accordance with good practice and with clear accountability for the delivery of key themes to Executive Directors. The ODP is reviewed at quarterly Executive Team meetings which enables sufficient oversight and decision making in respect of any changes to the programme. Resources are in place to support the governance and delivery of the ODP and there are individual action owners assigned.

9. **We have reviewed the various strands of the additional investments which have been approved by TPAC.** From the work performed, the additional investments across all aspects considered, are fit for purpose and set up to deliver value for money for the NAO in the service it provides to stakeholders.

Organisational Development Plan

10. The Organisational Development Plan ("ODP") sets out the individual changes that are required to be undertaken for the NAO to achieve its strategy. The ODP is split across separate themes, with a number of specific actions interlinked across themes.

11. Effective accountability for the management and monitoring of the ODP actions is facilitated through the Executive Directors who are assigned responsibility for ensuring progress across each of their individual themes. In addition, the new Group structure has improved the clarity of accountability for actions.

12. There are opportunities for improvements to the efficiency of the monitoring processes. A number of actions are in the process of being implemented by the Change Team following year one of the strategy review and changes in the monitoring platform in place. Following their implementation, the effectiveness of the changes should continue to be monitored to ensure that the projected benefits are being realised.

Audit Transformation Programme ("ATP")

13. The Audit Transformation Programme ("ATP") represents a significant investment for the NAO and is the foundation for the actions included within the financial audit elements of the ODP. The investment comprises three key interdependent projects; Audit Methodology Review, Audit Software Review and Audit of the Future.

14. The investment, based on the work performed to date, is fit for purpose and will enable the NAO to continue and further enhance its existing offering to stakeholders, not only addressing key elements of consistent audit quality but also ensuring that the NAO is able to adapt to the changes as prescribed by the International Standards of Auditing (ISA) 315.

15. Delays to both procurement and the minimum viable product delivery highlight the issues of staffing and resourcing challenges for the programme. Steps have been taken to ringfence staff for the programme.

These steps should be reviewed on an ongoing basis to ensure that the programme is adequately resourced and staff do not have conflicting priorities impacting delivery. Given the importance and wide-ranging impacts of the transformation, it is imperative that the project does not lose momentum and that staff and stakeholders can view the progress being made. There is the potential for benefits not be fully realised within the target timeframes if resources are deployed on an ad hoc basis or the project is not viewed as being sufficiently important.

16. The selection of the strategic partner later this year represents an opportunity for the NAO to re-calibrate the programme timetable and provide clarity on progress to the wider organisation. Communicating key steps and milestones being achieved is critical in obtaining wider buy in to the process.

Value for Money Programme

17. The investment in year one of the strategy for the VFM Programme related to capacity and capability building within the six Knowledge Hubs. Core Senior Hub members have been assigned with the exception of the Hub Director of People & Operations. This has been through a mix of external recruitment and internal promotion each delivering specific expertise to the relevant Hub.

18. The investment, based on the work performed, is fit for purpose and will enable the NAO to continue and enhance its existing offering to stakeholders. There are opportunities going forward for the NAO to strengthen the engagement of the Hubs during work programme planning and development to ensure key themes are incorporated. Engagement of staff across the NAO via the Hubs presents significant opportunities for sharing of knowledge across the organisation. This has the additional benefits of providing development for staff and breaking down of silos across teams.

Knowledge Management

19. The investment in Knowledge Management in year one of the strategy focussed on the appointment and subsequent creation of a specific Knowledge Management function at the NAO. The new function's responsibility is to transform the approach to knowledge management including the development of standards, methods and enablers to support the organisation and ultimately to provide, in accordance with the NAO's strategy, more accessible and independent insight.

20. The investment, based on the work performed to date, is fit for purpose and will enable the NAO to continue and enhance its existing offering to internal stakeholders whilst also ensuring accessibility of insight for external stakeholders. Notwithstanding this, as the team begin to operate and embed themselves into the NAO, there are opportunities to strengthen the NAO's understanding of the function and its performance.

Conclusion on value for money

21. **We consider that the investment in the NAO's strategy implementation, including both processes for monitoring and the investment in three key elements of the strategy, represent value for money for the organisation.**

22. The ODP is an effective mechanism to support the delivery of the NAO's Strategy 2020-2025. There is a clear understanding of the actions to be undertaken and their status. Quarterly reporting to the Executive Directors facilitates accountability for the overall progression of the plan and supports transparency in terms of significant revisions to the ODP actions.

23. The detailed review of ODP actions and plans for the forthcoming year undertaken as part of the end of year one of the strategy is a beneficial and important exercise to address any reprioritisation of actions and resources. This factored in consideration of the ongoing impacts of the pandemic and the NAO's response.

24. The three strategic investments are aligned to critical elements of the NAO's strategy. Whilst it is not possible to evaluate the extent of the impact of such investments at this early stage of the process, in our view, each of the specific areas of investment will contribute to and improve the NAO's existing offering to stakeholders. In the medium to long term the overall impacts can be measured through the NAO's established performance framework which should note improvements over time. From an efficiency perspective, there does not need to be an additional set of performance metrics introduced to measure the impact of the investments.

Recommendations

For ease of reporting and subsequent monitoring our recommendations have been split across the specific elements of our review although it is anticipated that the recommendations under value for money and knowledge management will have interlinked actions and responses. The recommendations raised relate to actions and issues which are known to management and are part of the ongoing development of the ODP.

Organisational Development Plan

ODP Monitoring Mechanisms

The proposed changes to the monitoring mechanism through which the progress of the ODP is tracked should enable more efficient and real time reporting. It is important that a clear audit trail is maintained / documented which facilitates the effective oversight and subsequent report of revisions to the following:

- Changes to action owners.
- Changes to action commencement / due dates.
- Changes to the scope of actions.
- Linkages for related / inter-dependent actions.
- Prioritisation of actions across themes.

ODP Root Cause Assessment

An evaluation of the effectiveness of delivered actions should be considered to ensure that the specific action is effective in targeting the root cause of the issue which it is seeking to address.

Communication of the ODP actions and how the outputs/ outcomes are being achieved should recognise that this is a 5 year strategy and longer term impacts may not be immediately realised. However, these should continue to be reviewed and revisited.

Audit Transformation Programme

Programme Resourcing

The steps taken by the NAO to ringfence resources for the ATP should be reviewed on an ongoing basis to ensure that the programme is adequately resourced and that staff do not have conflicting priorities thereby impacting delivery.

Programme Communication

There should be a clear strategy and associated actions to communicate the key stages of the ATP as they are achieved, the benefits this will bring, lessons being learnt and what the audit teams can expect to change. This can be used as a means of developing engagement and enthusiasm for the changes and their implementation.

Value for Money

Development of the Hubs

In the short to medium term the NAO should monitor and ensure sufficient support is provided to each of the Hubs, at varying stages of development, to ensure a consistent delivery to external and internal stakeholders.

Organisational engagement with the Hubs

As the Hubs continue to embed at the NAO, clear processes and procedures should be developed that ensure staff across the NAO engage with the Hubs consistently as part of work programme planning. There should be a commensurate focus on the Hubs in engaging throughout the VFM programme, including specialist input and Quality Assurance. Mechanisms for engagement should also ensure that client teams are engaging with the Hubs on outcomes of reviews to ensure knowledge products continue to address topical issues.

A series of short case studies showcasing successes achieved can be used to engage with different parts of the workforce and stimulate interest across the NAO and demonstrate the benefit of the Hubs.

Accessibility of external expertise

A framework contract should be developed to enable the VFM service line to access more efficiently external expertise when required, either on a one off or recurring basis. This should be developed in conjunction with groups and the Hubs to ensure intended areas of future work are addressed appropriately. This is a recognised issue and area which is being addressed.

Knowledge Management

Knowledge Management Framework

The proposed knowledge framework to be developed in year two of the strategy should outline a clear set of principles for the management of knowledge and support existing business processes. The framework should be communicated across the organisation to continue to develop the culture change required to ensure the optimal operation of knowledge management across the NAO.

Performance measurement of Knowledge Management

Proportionate performance measures and indicators for the effectiveness of the knowledge management investment should be developed. This should reflect quantitative and qualitative measures covering both the internal impacts and the external environment.

Acknowledgement

The Crowe team would like to acknowledge the support and co-operation of staff that provided assistance during this assignment.

Crowe U.K. LLP

Detailed Findings

1. Overall set up and monitoring of the ODP

Summary

1.1. The Organisational Development Plan ("ODP") sets out the individual changes and associated actions that are to be addressed in order to deliver the 2020-25 Strategy. The ODP is split across separate themes, with a number of specific actions interlinked across themes. The work packages are aligned to the strategy, either as a strategic priority or enabler.

1.2. The seven key themes of the ODP are People, Knowledge, Data Analytics and Technology, Corporate Services, Value for Money, International, and the Financial Audit Service Line. Each theme has a functional Executive Team Lead ('Executive Director') who is responsible for each Group (Centre, Infrastructure, International, Local, Society and Corporate).

1.3. The Executive Directors are each accountable for ensuring progress is achieved for their assigned theme. The Executive Director is supported by the Theme Lead who is responsible for the progression of actions within the ODP. Individual action owners are assigned.

1.4. The alignment of the work packages within the ODP to the strategy, whether a strategic priority or enabler, ensures that actions are necessary and relevant to the NAO in achieving its objectives.

1.5. Whilst the ODP is an effective mechanism to facilitate the delivery of actions, there is a need to consider whether the specific action will target the root cause of the issue which it is intending to address.

1.6. There are opportunities for improvements to be made to the efficiency of the monitoring processes. A number of actions are in the process of being implemented by the Change Team following the year one review and changes in the monitoring platform in place. Following their implementation, the effectiveness of the changes should continue to be monitored to ensure that the projected benefits are being realised.

Reporting

1.7. The ODP is a live and dynamic mechanism to ensure delivery of actions across the seven key themes. Actions are reviewed at quarterly Executive Team meetings to consider whether they remain relevant and necessary to contribute to the overall strategy. Decisions are taken at the meetings decisions regarding the removal and minor changes to specific actions.

1.8. The reporting to the Executive Team details overall progress on the ODP, including requesting approval for any refinements to the ODP and a Red, Amber, Green ("RAG") rating, referencing status of progress. The RAG rating highlights:

- **Green:** actions that are on track.
- **Amber:** those where there are concerns over delivery but can be resolved within the theme.
- **Red:** actions where delivery concerns need to be escalated to the Executive Team.

1.9. The reporting provides sufficient and appropriate details to facilitate effective decision making in respect of actions across the Executive Team. It does not include minor amendments to specific actions, placing reliance on individual Theme Executive Directors and Theme Leads to be transparent in their reporting. This is aligned to empowering individuals and ensuring the Executive Team do not become involved in micro management of the ODP.

1.10. The monitoring of ODP actions are consistently and formally reported on a quarterly basis to the Change Team and recorded in spreadsheet format. Changes were not tracked with a clear audit trail making it difficult to track them between each quarterly report. As such, whilst the oversight of ODP progress facilitated the identification of significant issues, the process was not clear in providing assurance regarding a full reconciliation of actions between quarters. This included additional actions, amendments and removal of actions.

1.11. Given the number of linked actions, clarity and transparency of changes to the ODP actions should be captured particularly as changing one action may have indirect impact elsewhere. The move to Microsoft Teams Platform will allow for greater visibility of changes in an action's scope, ownership and identification of inter-dependent actions. The new solution will also facilitate more efficient reporting for the quarterly reviews.

Operational Delivery at Theme Level

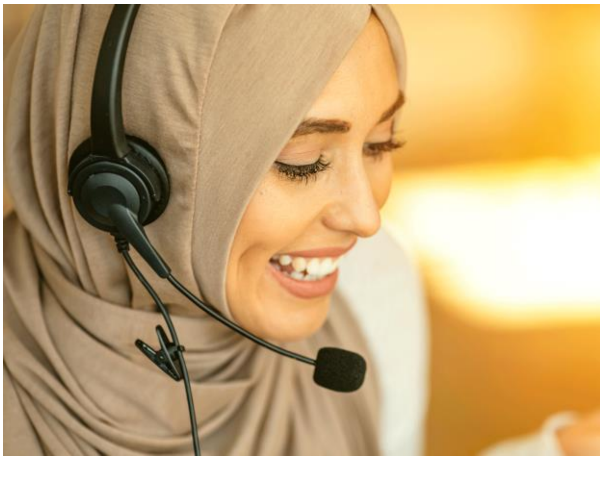
1.12. Theme Leads are responsible for leading progression of individual actions across the theme, reporting to the accountable Executive Director. Individual action owners are assigned with clear start and end dates.

1.13. Work undertaken for a sample of actions did not identify inconsistencies between the underlying information to support the action completion and the progress commentary provided to the Change Team. There were isolated examples of a start date not being recorded and of the due dates being inconsistent with the intended delivery date. However, this was identified and reported as an amber action to the Executive Directors.

1.14. As noted at 1.11 the proposed changes to monitoring through Teams will enable more efficient and transparent reporting in terms of overdue actions and, where appropriate, a clear audit trail of any amendments to due dates that can be appropriately reviewed by the Change Team and escalated to Executive Directors if required.

1.15. The approach to monitoring at the Theme level varied across each Theme. There were instances of duplication of tracking and updating activities by both the Change Team and the Theme level. This related to shadow monitoring systems that were introduced to manage the review of actions at Theme Level which then subsequently needed to be transferred to the monitoring spreadsheet maintained by the Change Team.

1.16. Transferring the ODP onto Microsoft Teams by the Change Team will facilitate more efficient reporting both at an organisational and theme level. This will be enabled through a central reporting mechanism that facilitates a single point of entry for updates and for monitoring.



Monitoring of Impact

1.17. The ODP addresses specific actions required to contribute to the NAO's achievement of its strategy. Given the size and scale of the NAO, and the need to focus on delivery of front-line services, tracking impacts at the individual level would not be a cost-effective use of resources.

1.18. Where applicable, individual actions within the ODP are aligned to one of the five balanced scorecard domains for which specific metrics are measured as part of the NAO's performance framework. The performance framework aligns both strategic priorities and enablers of the strategy.

1.19. It is not possible to assess the individual impact / performance of each action within the ODP. However, it is assumed that over time undertaking such actions will contribute to improved organisational performance which will be evidenced through the NAO Performance Framework. We concur with this approach as the metrics within the Performance Framework are a critical measure of impact of the ODP.

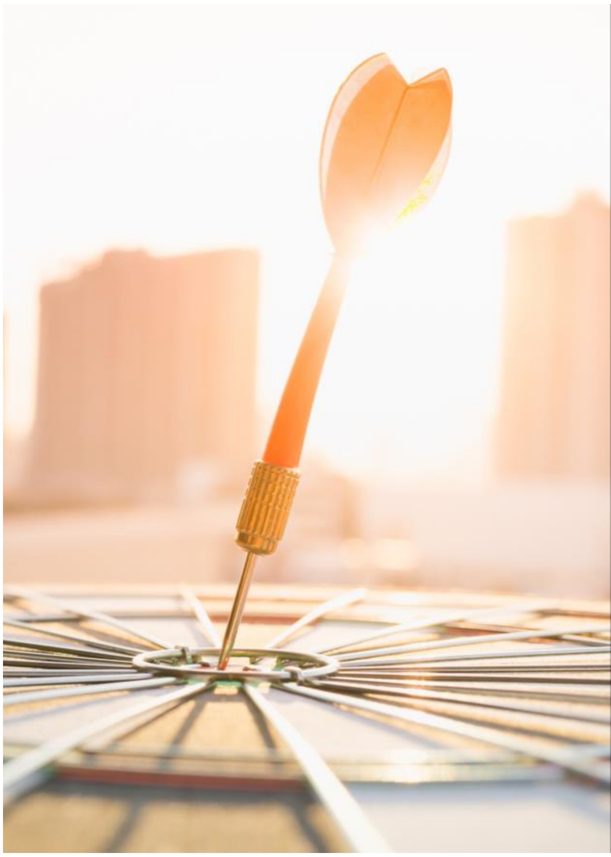
1.20. Whilst we are not proposing a root and branch review of actions, given the disproportionate resourcing requirements, there is an opportunity to ensure that the specific action is effective in targeting the issue which it is intending to address such as structural barriers or considering if it is possible to fully address the issue identified with the suggested actions. As such, there may be instances where existing structural limitations, as noted below, impact upon the potential delivery of benefits for which the action is intended to address.

1.21. For example, whilst there are actions to address the clarity of the development pathway for the Analyst grade, progression is also dependent on opportunities at the subsequent grade. Communication and engagement strategies should be considered to address such instances where the implementation of an action does not result in the desired change, particularly to address any negative perceptions that may arise if the desired change is not realised within the expected timeframe.

Reset for the commencement of year two of the strategy

1.22. The approach to management and review of the ODP has been developed across year one of the strategy, which has included refinements to governance processes. The ODP actions have developed from a number of individual actions, with a significant number of linkages / to a set of actions with clearer accountability, particularly for those with co-dependencies.

1.23. As part of the reporting of year one of the strategy, the Change Team initiated a "stocktake" exercise across all themes to provide assurance over the actions in the ODP. This was to confirm that heading into year two the actions were reflective of the work required to be undertaken and that they aligned to the Future Working project.



2. Audit Transformation Programme

Summary

2.1. The Audit Transformation Programme ("ATP") represents a significant investment for the NAO and is the foundation for the actions included within the financial audit elements of the ODP.

2.2. The investment focusses on three key interdependent projects:

1 **Audit Methodology Review ("AMR")**

A project to ensure the audit methodology is in line with best practice and the changes impacting the audit profession.

2 **Audit Software Review ("ASR")**

A project to support the sourcing and implementation of a new audit software that actively supports the NAO in the delivery of its audits.

3 **Audit of the Future**

A project to support and embed the utilisation of data analytics, IT audit and business process controls within the revised methodology.

2.3. These three elements have been presented in both the Strategic Outline Business Case ("SOBC") and the Outline Business Case ("OBC") presented in January 2021. The final business case will be submitted later this year following the selection of the strategic partner.

2.4. The investment, based on the work performed to date, is fit for purpose and will enable the NAO to continue and further enhance its existing offering to stakeholders. The proposals represent a solution that will respond to the changing environment in which the audit profession operates and the proposed solution will facilitate improvements in audit quality and the changes as prescribed by the International Standards of Auditing ("ISA") 315, *Identifying and assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment.*

2.5. Whilst there are no concerns with the overall delivery timeline as set out in the SOBC for either the software solution or revised methodology for the 2022-23 audit cycle, elements within the programme are currently delayed when compared to the original timeline presented. These include actions in relation to the Risk and Response Libraries and the Procurement Delivery. These are not considered as materially impacting the overall timeline for the programme although the delivery of a minimum viable product ("MVP") for piloting in November of this year (initially intended for September) will be impacted

.

2.6. Risks and delivery of the programme are being managed through the Financial Audit Programme Board ("FAPB"). This includes reporting the RAG (Red, Amber, Green) status of the overall programme and separately the MVP and Phase 2 'Strategic Solution.' High priority ranked issues are monitored allowing oversight of key challenges to the successful delivery of the programme.

2.7. It is not possible to evaluate at this stage the extent of either the impact of the investment or appraise the anticipated digital audit platform. However, from the work undertaken, the programme has been set up in accordance with good practice to manage risks appropriately. The key area of focus is in ensuring that the areas which are behind the delivery schedule continue to be actively monitored and action taken (refer to 2.22 below).

ATP Programme Investment overview

2.8. The investment in the ATP Programme at the NAO is seen as a key strategic priority for the organisation to ensure that the NAO fulfils its responsibility to Parliament in holding government to account and to improve public services through the provision of high-quality audits.

2.9. The changes to methodology and supporting software will facilitate the NAO in delivering higher quality audits using data analytics. The changes also incorporate the forthcoming changes in regulatory standards, including ISA 315. From our discussion with peer groups, we are aware that comparable investment projects are in place across the wider sector and as such NAO's work in this area should be considered both in line with good (and required) practice.

2.10. The investment agreed as part of the Strategy includes an on-going investment of £2 million[1] per year, focusing on the modernisation and digitalisation of the audit methodology and the accompanying learning and development requirements to ensure staff are able to adapt to the new processes.

Programme Investment

2.11. The ATP programme costs assume that the solution will be operational and fit for purpose for at least 10 years upon completion of the delivery phase, which is expected to last around three years. The costs for this phase of the project are budgeted at:

		Delivery		
Category	**Discovery**	**Year one**	**Year two**	**Year three**
Years	2019-20	2020-21	2021-22	2022-23
Internal Expenditure	£234,798	£852,259	£1,919,241	£1,912,480
External Expenditure Total	£300,564	**£1,644,935**	**£2,698,290**	**£2,095,250**
Contingency	-	-	£404,744	£314,288
Total Costs	£535,362	£2,517,194	£5,022,275	£4,322,018

[1] NAO Strategy 2020-21 to 2024-25 (March 2020) & NAO Estimate Memorandum 2020-21 (March 2020)

2.12. Of the total costs of the project the incremental investment of £2 million relates to the external programme delivery phase (April 2020 – March 2023). The additional funding will continue for the first three years of the strategy (remaining two years) and allows the NAO:

To invest in the new software solution.

Support the development of the audit methodology.

Provide support to ensure staff are sufficiently trained and informed in respect of the new audit techniques.

2.13. The initial investment was circa £0.5 million of staff related costs to align audit methodologies and circa £1.5 million relating to consultancy costs, including configuration, testing and subsequent roll out of the new methodology / software.

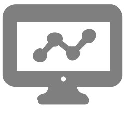
2.14. Year one of the programme included £1.66m of spend relating to external costs. Overall there was a minor underspend against budgeted costs of approximately 1% due to the reduced development team expenditure through to March 2021 linked to re-planning, central cover of some additional programme costs and minor variances relating to contractor time.

2.15. For year two of the strategy costs for the project have been re-forecast and are currently expected to exceed budgeted costs as detailed in the OBC by 8%, circa £0.2 million. The re-forecast undertaken highlighted additional resource requirement for the MVP development and testing requirements, alongside additional staffing requirement. The remainder relates to costs moving from the financial year 2020-2021 to 2021-22. The cost will be re-profiled with greater certainty following the supplier selection in late 2021, at which point the requirement for contingency funds will be clarified.

Programme High – Level Summary

2.16. The ATP encompasses three interdependent projects necessary to support the organisation going forward. This includes:

Audit Methodology Review – a project to ensure the audit methodology is in line with best practice and the changes impacting the audit profession.



Audit Software Review – a project to support the sourcing and implementation of a new audit software that actively supports the NAO in the delivery of its audits.

Audit of the Future – a project to support and embed the utilisation of data analytics, IT audit and business process controls within the revised methodology.

2.17. In the year one of the strategy, the activities associated have predominantly related to the detailed planning and initiation of the procurement process for the new audit software, alongside the development of the revised audit methodology.

Programme Governance & Timeline

2.18. The ATP is supported by a Financial Audit Programme Board ("FAPB") which meets on a monthly basis to review actions and provide an update on open actions. The FAPB is led by the SRO & Executive Director for the Financial Audit Service Line, reporting to the Executive Team and the NAO Board.

2.19. The FAPB reviews both Phase 1 (Minimum Viable Product ("MVP")) and Phase 2 of the Strategic Solution. The Board review ongoing key risks to the programme enabling the identification of interdependent actions for effective project management. The Board is supported by Senior User Groups, the Programme Leadership Team, the Internal Delivery Partner Groups and the Digital Services Design Authority, each ensuring alignment to the overall project delivery.

2.20. Each month a RAG status is assigned to the overall programme alongside that of the MVP and Phase 2, relating to the strategic solution. This is in addition to workstream elements which are evaluated and a RAG status assigned based on Resource, Scope and Time. The methods for reporting and oversight ensure appropriate transparency in the reporting on the project to stakeholders.

2.21. As reported by the FAPB in April and May 2021, procurement (**see Update on Procurement Exercise – 2.30**) and the work associated with the risk and response libraries, linked to the Audit Methodology are delayed when compared to the timeline (**see Audit Methodology Review 2.26**) included within the OBC. These are not expected to have a significant impact on the overall programme. Delays associated with the Audit Methodology were in part due to challenges in the capacity of internal staff assisting with the programme who due the impacts of COVID-19 could not be deployed as planned.

2.22. The overall status of the programme has moved from 'Amber' in the April FAPB to 'Amber / Green' in the May FAPB to reflect the increased clarity on resourcing profile and identification of appropriate resourcing required from the organisation to support the project .Overall RAG status improvement was additionally driven by the quality of the submission from bidders for the procurement exercise.

2.23. There are established project governance processes to identify and address any delays in the project timetable. However, whilst recognising that resources are being allocated to address the delays identified, with critical projects there is a need to ensure the right level of skills and resources are deployed consistently.

2.24. In a range of innovation and change projects the team and resources are often ringfenced to prevent conflicting priorities from impacting delivery. Given the importance and wide-ranging impacts of the transformation, it is imperative that the project does not lose momentum and that staff and stakeholders can view the progress being made. If resources are deployed on an ad-hoc basis there is a risk that the project does not maximise its impact. If the tone with regards the project's importance is not set, this could inhibit the embedding of the changes.

2.25. The selection of the strategic partner later this year represents an opportunity for the NAO to re-calibrate the programme timetable and provide clarity on progress to the wider organisation. Communicating key steps and milestones being achieved is critical in obtaining wider buy in to the process.

Audit Methodology Review

2.26. The Audit Methodology Review ("AMR") represents the most significant change to the NAO's audit approach since the last review undertaken circa twenty years ago. The change seeks to ensure that the NAO is practising in line with the expectations as noted within the Brydon Review but also the changing standards, notably the revision of ISA 315, that requires a more structured and detailed approach to audit risk assessments. The changes are necessary as the NAO continues to strive to be an exemplar audit institution.

2.27. The AMR will provide structured workflow support to audit staff in preparing risk assessments of higher quality and consistency. This will be supported by planned changes in the NAO's assurance model to direct the audit approaches to be assigned to different audit populations. Assurance approaches of other firms, including the Big Four, were evaluated to provide benchmarks to NAO's approach.

2.28. A significant element of the revised assurance process includes the approach to the utilisation of audit data analytics ("ADA") which has been emphasised following the recent reviews of the audit profession and the Financial Reporting Council. The development of the mechanisms to support such techniques are included within the "Audit of the Future" workstream.

2.29. The audit methodology is expected to be effective for the 2022-23 audits with early adoption for a sample of 2021-22 audits. It is planned that 2022-23 audits will be undertaken using existing platforms but enhanced tools will be available for use by audit staff. The strategic solution will be utilised for the 2023-24 audit cycles.

2.30. Given the significance of the change to the audit methodology, pilots were anticipated to commence in September 2021 with an MVP solution. Due to the delays noted above these pilots will now start in November 2021. It is not envisaged that the delays will have a significant impact on the completion of the pilots as these are to cover both pre and post recess audits for which the planning is undertaken in November 2021 and January 2022 respectively. Pilots will be undertaken across both historic and mock audits, alongside testing on specific segments utilising and applying new elements of the methodology and the risk and response libraries.

Audit Software Review

2.31. The Audit Software Review ("ASR") seeks to ensure that staff are appropriately supported to deliver audits in line with the new methodology. A software that integrates with other software packages will help staff work efficiently and generate the insights, as set out in the NAO strategy.

2.32. Following research recorded across the SOBC and the OBC, through both external and internal reviews, the existing software was identified as not supporting staff appropriately to ensure audit quality on a consistent basis and would not support the NAO in introducing its new Audit Methodology. Alternative options, including developing in-house software, or utilising other software used by competitor firms was also considered. The conclusion of the research was to move forward with the procurement of an external solution built to the NAO's requirements. This was approved in February 2021.

2.33. The procurement process was launched in April 2021, with project / requests to participate and shortlisting for invitations to tender shared in May 2021.

Update on Procurement Exercise

2.34. Phase Two of the ATP relates to the implementation of the strategic solution which represents the aforementioned Audit Software Review. The intended contract award and finalisation is intended for February 2022.

2.35. The Invitation to Tender of the NAO's Case Management Solution for Financial Audits was published on the 16 April 2021. The estimated value of the proposal, as per the procurement notice is £8 million for which a partner is sought for 12 years. Suppliers were invited to attend to Submit Outline Solution ("ISOS") with a Selection Questionnaire ("SQ") Clarification Webinar held in April 2021.

2.36. Following the deadline for SQ submission, fifteen submissions were received. The NAO evaluated proposals and selected nine bidders which represented the eight highest scoring candidates (as two candidates scored the same). The nine bidders were invited to submit Outline Solutions in July 2021. It is intended that of these bidders, three will be selected to participate in further dialogue ("ITPFD") to submit a final tender ("ISFT") for which a supplier is intended to be selected by 25 November 2021 with official contact agreed in February 2022.

2.37. Given the complex nature of the procurement, the solution will be a designed solution rather than an off the shelf product. In terms of assessing value for money, we would concur with this being a designed solution due to the nature of the work of the NAO and the requirements in supporting the audit process. In our experience as an audit firm there is no definitive single off the shelf solution.

2.38. The procurement exercises (route assessment) is being managed by the Central Procurement Team at the NAO for which support for the development of the plan for procurement was also sought from procurement and legal specialists to ensure the robustness of the process. From a procurement perspective, the approach is in line with overarching good value for money practice for such a product and is in line with the recommendations raised (and implemented by the NAO) in our 2018 VFM Review of Contract Management.

2.39. The original procurement plan sought to move to award the contract in November 2021. However, this has been extended, consistent with the above, to February 2022. The overall delay in the procurement exercise is not anticipated to impact the overall timeline to ensure that the solution can be piloted for 2022-23 audit cycle.

2.40. Recognising the above, given that the partner has not yet been selected and the development process has not yet commenced, at this stage we cannot provide definitive assurance that the audit software will be implemented in line with project timescales. Following supplier selection there is a recognised need to ensure the project is effectively monitored given the complexities of the software solution development.

Audit of the Future

2.41. The Audit of the Future Project is to embed a greater use of data analytics, business process controls and IT audit within the new methodology. The expected benefits include further standardisation and enhanced automation within the audit process, which will improve audit efficiency and provide greater insights for audited organisations. Such efficiencies will enable staff to focus on key business risk areas.

2.42. The audit of the future, builds on the existing investment in the Audit Information Management System ("AIMS") cloud infrastructure. Whilst the audit for the future work is undertaken by the Analytics team, through the Analysis Hub, the identification and utilisation of the data analytics elements are directed through the Audit Methodology workstream.

The Audit Software to be implemented is required to integrate with other NAO systems and enable flexibility to adapt to future requirements.

2.43. There is an expectation that the Audit Software Solution will have the capability to collect results and conclusions from analytics applications that are applied to the datasets held within AIMS. Outside of the standard approaches, which are already in place, analytics will be developed to address the Audit Methodology requirements. The NAO is building on existing training already undertaken for the Financial Audit service line for the use of AIMS and its supporting applications in year two of the strategy. Targeted training will be provided to support the junior and new staff as well as those in leadership and management roles to better use data analytics applications.

2.44. Future areas of consideration for the application of data analytics will include the use of analytics in risk assessment, in providing substantive assurance and in providing greater insight to clients. This is line with NAO's broader strategy. As such there will need to be closer engagement between the ATP Programme and associated AIMS project / Audit of the Future to ensure that each of the projects are aligned to deliver relevant and appropriate data analytical techniques.

3. VFM Programme

Summary

3.1. The investment for year one of the strategy for the VFM Programme related to capacity and capability building within the six Knowledge Hubs[2]. Core Hub Directors have been assigned, with the exception of the Hub Director of People & Operations. This has been through a mix of external recruitment and internal promotion, each delivering specific expertise to the relevant Hub.

3.2. The investment in VFM expertise is to enable the NAO to continue to generate insights for the public sector and to enrich the skills of existing staff.

3.3. The investment, based on the work performed, is fit for purpose and will enable the NAO to continue and enhance its existing offering to stakeholders. Whilst it is not possible to evaluate the extent of the impact of the investment at such an early stage, in our view, the concepts that support the spend will provide value for money for the organisation and the service which it provides.

3.4. As the Hubs develop there is an opportunity for the NAO to seek the engagement of the Hubs at the right time during work programme planning and development to ensure key themes are incorporated. Engagement of staff at the NAO through the Hub, will not only contribute to on-going skills development but also aid the sharing of knowledge throughout the organisation rather than remaining siloed within the Hubs.

VFM Programme Investment

3.5. The investment in VFM is considered a strategic enabler for the organisation to increase its impact and provide greater insight and practical examples to improve public services. In focussing skills on emerging key areas there is the opportunity to contribute to the long-term sustainability of public services.

3.6. The original investment agreed as part of the Strategy included £0.7[3] million in 2020-21, rising to £1.5 million in 2021-22 which will continue at the same level as an on-going financial commitment.

3.7. A key element of the value for money investment and intended benefits, is to enable the NAO to provide insight and information that is capable of responding to both current and longer-term challenges of the public sector. Awareness of the longer-term challenges has driven the NAO to simultaneously develop people's skills in areas such as environmental auditing and digital expertise as well as the buy-in/recruiting of more specialist expertise where required.

3.8. The investment of £0.7 million in 2020-21 related to the recruitment of individuals to lead the Hubs and a further £0.2 million allocated to the resourcing of external expertise.

3.9. Of the total approved budget, spend incurred included £30,000 on external expertise which was utilised within the VFM Practice. A further £0.17 million was spent on staffing within the Hubs. Within the year 2021-22, expenditure related to four Hub Directors, three Audit Managers and two analysts.

3.10. The underspend in 2020-21 of £0.5 million related to the impact of the pandemic on recruitment to the Hubs and delays in individuals transitioning to their new roles.

3.11. As at the end of the year 2020-21, of the fifteen staff required for the Hub structures, five posts remained unfilled, including the Hub Director for People & Operations.

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[2] The Knowledge Hubs consist of six areas; Analysis, Commercial, Digital, Financial and risk management, Major project delivery and People and operational management. It is the intention that the hubs will facilitate greater knowledge and insight sharing on cross-cutting issues.

[3] NAO Strategy 2020-21 to 2024-25 (March 2020) & NAO Estimate Memorandum 2020-21 (March 2020)

3.12. Year two of the strategy will continue the investment in the core Hub Teams or circa £1.3 million and £0.2 million in non-staff expenditure relating to external expertise to support the Hubs as required.

3.13. Specific activities within year two relate to the on-going investment in core permanent Hub Teams, whilst also completing recruitment for the remaining posts.

Development of the Hubs

3.14. The development of the Knowledge Hubs will support the NAO to ensure that insight on cross-cutting issues can be shared internally and externally. Six Hubs covering Analysis; Commercial; Digital; Financial and Risk Management; Major Project Delivery; and People and Operational Management. Prior to the Hubs, Communities of Practices ("CoP") existed to support knowledge sharing. Whilst some of the CoPs have evolved into Hubs (e.g. Methods Economics and Statistics ("MESH") transitioned to the Analysis Hub) other Hubs provide new areas of focus.

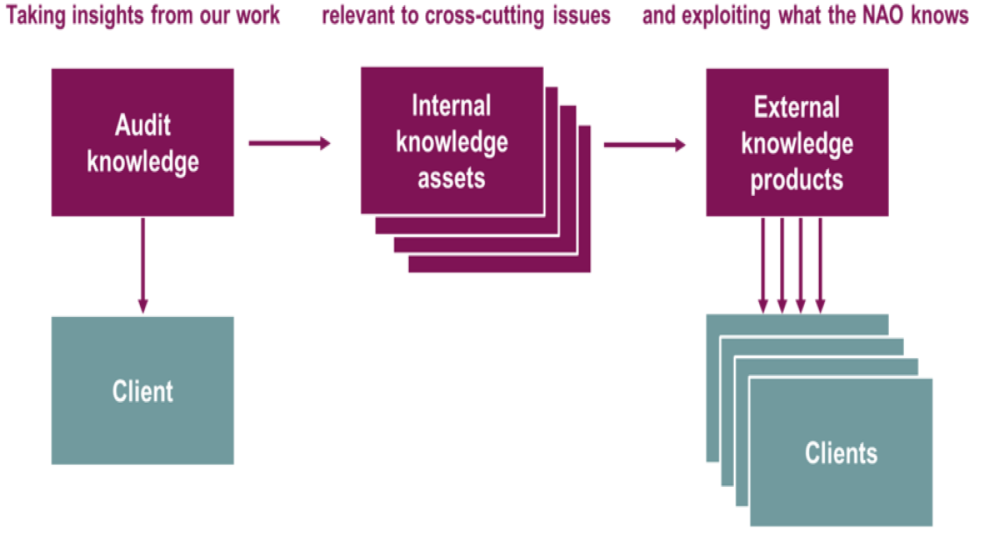
3.15. As the Hubs develop it is important for the NAO to ensure that in the short to medium term the new Hubs are appropriately supported to develop in accordance with both their internal and external target relationships. Whilst there has been a clear focus and strategy in terms of the structure and remit of the Hubs this should be considered fluid and subject to changes in the requirements of the stakeholders to the NAO. In our view this is considered within the strategy, but should be revisited throughout their operation.

Organisational Engagement with the Hubs

3.16. The generation of effective, efficient and critically value adding insight is reliant on a combination of the Hubs and the client teams across the NAO. With the right culture and behaviours this presents a significant opportunity for the NAO. We concur with the approach of not mandating engagement with the Hubs which can present the risk of a "tick box" exercise. However we recommend that engagement across all client teams is monitored. Case studies should be cascaded as well as factoring this into the performance management process.

3.17. Figure 1 below illustrates this:

Figure 1: The journey of insight development[4]



[4] Source: "What do I need to know about Hubs and Knowledge" (NAO, 27th April 2021)

3.18. Given that the Hubs are an integral part of the knowledge management approach at the NAO establishing proportionate and engaging 'push' and 'pull' strategies are a key element for success. 'Pull' strategies rely on client teams making explicit requests for information from the Hubs to inform work programmes. In contrast, the 'push' strategies rely on the Hubs to proactively ensure their knowledge is shared by seeking engagement across client teams.

3.19. To maximise the investment in the Hubs there is a need to develop the right strategies for engagement at the right time in the work cycle as well as managing expectations on the part of client teams. The Hubs have the potential for making significant impacts upon the work of the NAO but require investment and support from the wider organisation.

3.20. This was evident in the most recent work programme planning round where engagement was inconsistent across the Groups. This is to be expected given the Hubs relevant infancy during the financial year 2020-21. However, it is important that this is monitored going forward.

3.21. Prior to approval by the Executive Directors of the work programme, Hub engagement was sought alongside the Executive Director responsible for Knowledge to review proposals for work programme planning. The engagement sought to provide assurance that work programme scope was in line with the expectations of the nature of work being conducted and identify if any areas needed additional areas for inclusion. Whilst the most recent review of work programmes did not highlight any concerns as to the areas of focus, there is an opportunity to engage the Hubs earlier in the process to ensure engagement is sought at initial scoping phase. Potential involvement could be through the integrated risk assessment phases.

3.22. Given the specialisms being introduced, Hub engagement will be beneficial in the future development of the Quality Assurance Framework. Engaging Hubs in the review of specific relevant areas will facilitate a more robust review and ensure consistency in the analysis and reporting of specific areas of activity. This should only be utilised where the Hub role will provide additional review and insight rather than becoming an additional Quality Assurance process.

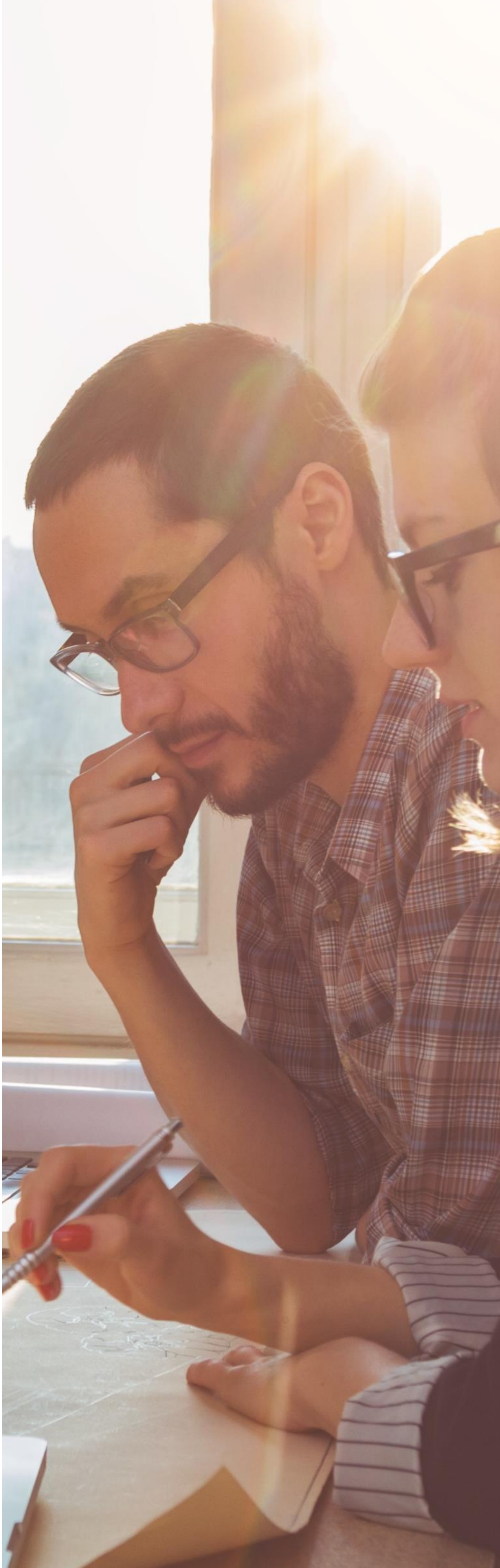
3.23. It is important that in the medium to long term the engagement with the Hubs is not seen to be a 'compliance' type exercise, which ultimately could diminish the value of the engagement. In the medium to longer term solutions should address the culture / environment that supports and encourages staff to contribute to and share knowledge. This can be developed through professional development and training opportunities across the Hubs.

Accessibility of external expertise

3.24. Existing procurement practice focuses on standard public sector procurement with framework partners. For complex engagements, such as those that could be undertaken by the VFM service line, there is the perception that there is limited flexibility to accommodate bespoke procurement for expertise. This perceived complexity and the time associated with developing business cases to support such procurements, was identified as a barrier to procuring necessary services.

3.25. There is an opportunity for teams, through the planning cycles and working with the Hubs, to ensure that the future engagement of external expertise is highlighted at the early stages of the planning process to enable external expertise to be sourced as early as possible. The need to address this aspect is currently under review by the NAO and expected to be addressed as part of the current financial year (2021-22).

3.26. Whilst sourcing of external expertise for VFM work is inherently more complex (given the wider spectrum and breadth of work this could encapsulate) a framework contract should be considered for development to enable the VFM service line to access more efficiently external expertise when required, either on a one off or recurring basis. This should be developed in conjunction with the Groups and Hubs to ensure intended areas of future work are addressed appropriately. As they develop there may be a wider opportunity for the Hubs to engage in providing perspectives in both opportunities and the sourcing of specialist expertise. Examples of this could involve engagement in the planning and scoping process, applying lessons relating to the identification of specialist input, routes to sourcing and the effective utilisation and quality assurance of such expertise.



4. Knowledge Management

Summary

4.1. The investment in knowledge management in year one of the strategy focussed on the appointment and subsequent creation of a specific Knowledge Management team at the NAO. The new team's responsibility is to transform the approach to knowledge management including the development of standards, methods and enablers to support the organisation and ultimately to provide, in accordance with the NAO's strategy, more accessible and independent insight.

4.2. The investment based on the work performed to date is fit for purpose and will enable the NAO to continue and enhance its existing offering to internal stakeholders whilst also ensuring accessibility of insight for external stakeholders. Whilst it is not possible to evaluate the extent of the impact of the investment at such an early stage given the team have not yet been operational for a year, the concepts and the forward plans that support the spend, in our view, will provide value for money for the organisation.

4.3. Notwithstanding this, as the team begin to operate and embed themselves into the NAO, there are opportunities to strengthen the NAO's understanding of the performance of the team and the impacts of differing products. Mechanisms should also continue to be focussed upon those that will contribute to consistency across the NAO in both the interaction and approach to knowledge management of all staff.

Knowledge Management Investment

4.4. The investment in knowledge management at the NAO is seen as a strategic enabler for the organisation to provide more accessible and independent insight. This not only relates to the provision of information concerning the utilisation of public resources and the performance of public service, but to provide information to users on key issues to inform decision making.

4.5. To ensure that the NAO is able to make better use of knowledge, the investment relates to building internal capability and in the systems that support the exchange of knowledge. The emphasis is not only on internal utilisation of knowledge through connecting learnings across disciplines, but also addressing external stakeholder expectations in ensuring that information is available to improve delivery and value for money. As such, an element of the investment involves development of website accessibility and functionality.

4.6. The original investment agreed as part of the strategy included £0.3 million[5] in 2020-21 rising to £0.5 million a year in 2021-22 as part of an on-going investment.

4.7. The investment of £0.3 million in year one was fully spent in the year 2020-21 and related to staff costs associated with the Knowledge Management Team. As at the end of March 2021 the Knowledge Management Team is in place, including the Head of Knowledge Management and two members of staff. As anticipated, the focus on year one related to the development of the knowledge management capabilities and establishing the approach to knowledge management.

4.8. Future spend for year two of the strategy will continue the investment in the knowledge team of circa £0.3 million. There is a further £0.2 million in non-staff expenditure relating to the support costs associated with the website development project, which is part of a larger funded capital project at the NAO.

4.9. Specific activities within year two relate to the approval of the knowledge framework, the development and subsequent embedding of knowledge management guidance alongside the activities associated with the Hub generation of knowledge products.

[5] NAO Strategy 2020-21 to 2024-25 (March 2020) & NAO Estimate Memorandum 2020-21 (March 2020)

Consistency across the Knowledge Hubs

4.10. Knowledge management at the NAO has previously been reliant on individuals to share information. A lack of clear and consistent policy on knowledge management did not support the organisation and its staff to draw upon organisational insight to inform reviews with ease.

4.11. For knowledge management to be successful it is important that knowledge management processes / frameworks support existing business processes effectively that exist to support NAO's strategic aims.

4.12. A clear set of principles and disciplines should be communicated across the organisation and within the Knowledge Hubs to ensure consistency and to continue to develop the culture change required to ensure the optimal operation of knowledge management across the NAO.

4.13. There is high level 'Knowledge guidance' available to staff. Detailed approaches and standards are yet to be developed as this forms part of the intended area of activity in year two of the strategy. As knowledge management is implemented and embedded in the organisation the development and embedding of the proposed knowledge management framework will support staff to approach knowledge management consistently.

Performance Measurement

4.14. Performance measures of knowledge management at the NAO should not only consider both quantitative and qualitative measures but should reflect both internal and external impacts / effectiveness. It is important that this is addressed as the investment in knowledge management seeks to improve accessibility and insight to stakeholders.

4.15. Performance measures for knowledge management should address the user experience. The assumed benefits of improvements in knowledge management rely on the participation and perceived benefit to staff of engaging in the process and as such reviewing staff perspectives will allow the team to measure not only engagement but the realisation of benefits associated with wider knowledge sharing.

4.16. People Surveys undertaken at the NAO, (most recently the 2019 People Survey), highlighted the perception amongst staff of the challenges in accessing the relevant information to provide insight into work undertaken. Less than 50%[6] of staff noted that they found it 'easy to find the information' they needed about previous NAO work and only 51%[7] agreed that information on technical and methodology issues was 'easy to find.' Tracking these metrics in future people surveys will provide an indicator of success of the approach.

4.17. On-going monitoring of qualitative feedback through the quarterly[8] People Surveys can be used to provide insight across the organisation as to the effectiveness of measures adopted to support knowledge sharing across the organisation. Additional questions can be used at different points in the year to assess areas working well and if there are particular challenges within specific Groups or at particular points in the work lifecycle of different Groups and client teams.

4.18. Measures of qualitative feedback are an effective and beneficial tool to promote continuous improvement within the knowledge management team. This will be a useful measure for the NAO to ensure the processes, services and the products produced contribute to the development of knowledge management and are supporting the organisation as intended.

4.19. Internal performance monitoring of knowledge management, that considers the products of the Hubs, currently focusses on quantitative aspects of delivery. These include, but are not limited to, six lessons learnt reports each year and two specific knowledge outputs per Hub as well as other activities such seminars and communications.

4.20. Performance measures included within the Strategy 2020-25[9] regarding the accessibility of independent insight focus on annual external feedback (IPSOS MORI MPs Survey) and the quantitative measures associated with the production of reports and access to the website. Whilst such feedback will assess the impact of the NAO's work, internal qualitative measures should focus on the quality of the information produced, thus appraising the relevant impact of knowledge management practices.

4.21. A balanced scorecard approach to measuring performance would enable the NAO to evaluate the impact of knowledge management. Based on work undertaken by North et al. (1998) and Probst et al. (2000)[10] possible integrated measurement indicators have been detailed in **"Appendix 1: Knowledge Management Indicators."**

[6] Resources and Workload - "It is easy to find the information I need about previous NAO work on a subject that I'm working on" – NAO People Survey 2019
[7] Resources and Workload - "It is easy to find the information I need on technical and methodological issues" – NAO People Survey 2019
[8] Previous people surveys were conducted on a yearly basis, however following the appointment of a new suppliers, surveys are now undertaken quarterly.
[9] Estimate memorandum for 2020-21 (March 2020)
[10] https://warwick.ac.uk/fac/soc/wbs/conf/olkc/archive/oklc5/papers/f-4_resatsch.pdf

Website Functionality

4.22. The redevelopment of the website provides the opportunity for the NAO to increase the accessibility and impact of its work undertaken. This is an area of focus for year two of the strategy. In line with the NAO's standard change methodology, the website redevelopment is currently in the discovery phase. A business case will follow once this phase is complete.

4.23. The vision of the current discovery phase is to "Redevelop our website to increase the accessibility and impact of our knowledge and insight[11]." The discovery phase focuses on gaining an understanding of the various audiences and understanding their challenges to inform the objectives during the discovery phase.

4.24. The discovery phase includes a clear scope although as noted above, the website development is part of a wider capital project at the NAO and therefore is not specific to knowledge management.

4.25. The vision considers the various audiences and the user journey. The website redevelopment provides the opportunity for the NAO to tailor the user experience and engagement in the site. This will facilitate access to both directly searched material and associated content, enabling access to additional knowledge products and supporting users in accessing wider relevant content.

[11]Internal NAO document "Vision principles and scope deliverables for discovery."

Appendix 1: Recommendation Schedule and Management Response

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
1. ODP Monitoring Mechanisms The proposed changes to the monitoring mechanism through which the progress of the ODP is tracked should enable more efficient and real time reporting. It is important that a clear audit trail is maintained / documented which will facilitate the effective oversight and subsequent report of revisions to the following: • Changes to action owners • Changes to action commencement / due dates • Changes to the scope of actions • Linkages for related / inter-dependent actions • Prioritisation of actions across themes Quarterly reporting to Executive Directors, whilst remaining consistent to previous reports, will be supported by more effective / efficient reporting, through which insight can be drawn if required.	Accepted	We will ensure that clear audit trails are available for the revisions outlined in the recommendation.	September 2021
2. ODP Root Cause Assessment An evaluation of the effectiveness of delivered actions should be considered to ensure that the specific action is effective in targeting the root cause of the issue it is intending to address. Communication of the ODP actions and how the outputs/ outcomes are being achieved should recognise that this is a 5 year strategy and longer term impacts may not be immediately realised. However, these should continue to be reviewed and revisited.	Agreed	As part of our annual ODP review we will include an assessment if the ODP actions are effective in targeting the root cause of the issues the ODP is intending to address. Our communication around the strategy and the ODP already recognises that this is a five year strategy and that longer term impacts may not be immediately realised. However, we are also making clear in our communication that adjustments to the ODP will be made particularly around annual reviews of the effectiveness of the ODP action.	March 2022 (the next annual ODP review)

Appendix 1: Recommendation Schedule and Management Response (Cont.)

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
3. ATP Resourcing The steps taken by the NAO to ringfence resources for the ATP should be reviewed on an ongoing basis to ensure that the programme is adequately resourced and that staff do not have conflicting priorities impacting delivery.	Agreed	The programme leadership team meet fortnightly to review resource allocation and utilisation. Full programme resource planning is reviewed at least quarterly with workstream leads planning in detail to a twelve-week horizon. Identified future conflicts or issues are managed as part of the programme's monthly Risks & Issues review.	October 2021
4. ATP Communication There should be a clear strategy and associated actions to communicate the key stages of the ATP as they are achieved, the benefits this will bring, lessons being learnt and what the audit teams can expect to change. This can be used as a means of developing engagement and enthusiasm for the changes and their implementation.	Agreed	A draft engagement and communications strategy has been developed in line with our overall change strategy, and is in the process of approval, which will include the actions associated here. This will include communications due to be launched by September 2021 that outlines the key stages of the ATP to the business, more detailed engagement with our user group (audit staff who will act as key ambassadors for the changes), and regular updates on ATP progress communicated through various channels.	September 2021

Appendix 1: Recommendation Schedule and Management Response (Cont.)

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
5. Development of the Hubs In the short to medium term the NAO should monitor and ensure sufficient support is provided to each of the Hubs, at varying stages of development, to ensure a consistent delivery to external and internal stakeholders.	Agreed	On consistency of hubs the ODP 2nd year plan has been updated and includes: • Tracking hub networks and development paths • Classification of hub assets and standardised repositories • Development of standard approaches as part of knowledge outputs • SharePoint refresh for hub sites On hub support the level of hub recruitment is marginally below original plans but wider support is provided through KM and ERT business partners including on: • External comms, media training and messaging • Teams and SharePoint use and wider knowledge processes • Performance tracking on consistent measures	Most measures completed by March 2022

Appendix 1: Recommendation Schedule and Management Response (Cont.)

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
6. Organisational engagement with the Hubs As the Hubs continue to embed at the NAO, clear processes and procedures should be developed that ensure staff across the NAO engage with the Hubs consistently as part of work programme planning. There should be a commensurate focus upon the Hubs in engaging throughout the VFM programme, including specialist input and Quality Assurance. Mechanisms for engagement should also ensure that client teams are engaging with the Hubs on outcomes of reviews to ensure knowledge products continue to address topical issues. An example of an interim measure to stimulate engagement and the benefits of the Hubs could include a series of short case studies to demonstrate successes and stimulate interest across the NAO using different media to engage with the different demographics of the workforce.	Agreed	Our revised approach to work programming sets clear expectations for our people to engage with hubs as they develop their integrated risk assessments and work proposals. We accept there is more to do to embed this as a consistent, standard way of working across all VFM service line teams and that we need to maintain focus to mature the process over time. Client team engagement mechanisms on topical issues are currently largely informal. Work by the FRM hub on understanding and structuring integrated risk assessments will consider how organisational knowledge on topical issues can be used. We will introduce a revised approach to risk-based quality management for VFM and wider assurance work which will include: clear expectations for teams to draw on hub expertise throughout their work from scoping to methods selection, completion of work packages and expert review or challenge of report content and recommendations. Hubs are developing standardised approaches on key knowledge areas as part of the knowledge outputs planned or being considered in 2021-22 and 2022-23. Case studies of involvement with hubs are being developed, primarily to support understanding of how to engage personally with hubs and to promote the opportunities to a wide range of staff of joining hub networks. From July 2021 onwards, the Value for Money Practice and Quality team will also be running monthly events to showcase best practice and new ways of working, which will include examples of effective collaboration with hubs.	March 2022 for establishing quality arrangements and approaches, with refinement and implementation continuing through 2022.

Appendix 1: Recommendation Schedule and Management Response (Cont.)

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
7. Accessibility of external expertise A framework contract should be considered for development to enable the VFM service line to access more efficiently external expertise when required, either on a one off or recurring basis. This should be developed in conjunction with the Groups and Hubs to ensure intended areas of future work are addressed appropriately. As they develop there may be a wider opportunity for the Hubs to engage in providing perspectives in both opportunities and the sourcing of specialist expertise.	Agreed	We plan to procure a new framework to help our people access skills we do not have in place in house for introduction in April 2022. This will be based on requirements we will agree in consultation with the VFM service line and hubs during autumn 2021. Early conversations with VFM service line colleagues and hubs suggest we may need expert input for a range of activities covering execution of packages of work for VFM products, supporting learning and skills development through hubs, and to provide discrete expertise and challenge to highly technical or innovative work we carry out ourselves. We will need to carry out market testing to understand the extent we can feasibly procure through a framework for all of these requirements.	April 2022
8. Knowledge Management Framework The proposed knowledge framework to be developed in year two of the strategy should outline a clear set of principles for the management of knowledge and support existing business processes. The framework should be communicated across the organisation and notably with the Knowledge Hubs to ensure consistency but also to continue to develop the culture change required to ensure the optimal operation of knowledge management across the NAO.	Agreed	Finalisation and agreement of the draft knowledge framework is planned in 2021. Plans for improvement of business processes for knowledge are being addressed for SharePoint and Teams. Wider business process improvement will be considered and proposed to ET for later in the ODP.	Knowledge Framework (late 2021) Knowledge systems use (ongoing basis) Wider business processes expected later in ODP (to be determined)

Appendix 1: Recommendation Schedule and Management Response (Cont.)

Recommendation	Agreed/ partially agreed/ rejected	Management response	Implementation date
9. Performance measurement of Knowledge Management It is important that performance measures / indicators for the effectiveness of the knowledge management investment are considered. Metrics / indicators should not only focus on quantitative measures but also consider more qualitative measures to supplement and provide greater context for the understanding of the quantitative measures. Indicators should not only consider internal impacts but also the external environment. The development of the performance measurements should be approach through the utilisation of a balanced scorecard approach.	Agreed	ODP 2nd year plan includes updated project and milestones on standardised assessment of inputs, activity and outcomes. Appendix of example metrics in this report will be considered as will opportunities for qualitative measures for example in client surveys.	March 2022

Appendix 2: Knowledge Management Indicators

Class of Indicators[12]	Definition of term	Possible performance measures
Knowledge base indicators (Class I)	This refers to the knowledge assets of an organisation and can be analysed into the following: • Quality of the system • Quality of the provided knowledge in the knowledge base • Knowledge specific service	• Workflows of feedback that provide the knowledge team with insight as to whether information was useful to the user • System tools to identify the most commonly searched for documents • System tools to identify whether searched for criteria provided the requested information
Cost indicators (Class II)	The indicator here refers to the direct cost of knowledge management, i.e. supporting applications / software	• Costs of training to employees based on previous expenditures • Costs associated with knowledge products (conferences attended etc.)
Intermediation and transfer indicators (Class III)	The indicator here refers to the measurement of the intermediation and transfer indicators that can be split into the following: • System usage • User satisfaction • Knowledge transfer	• People surveys • Access rates of information • References to NAO work undertaken (internal / externally) • Attendance / offers of staff speaking at external events
Effect indicators on business results (Class IV)	The final indicator here refers to the financial business effects of the investment and utilisation of knowledge. Impacts of an effective knowledge management function could, but not limited to, impact the following: • Efficiency of people undertaking work, given that access to knowledge will be easier • Customer satisfaction • Quality measurements	• Monitoring of the time to complete work • Utilisation of external experts

[12] https://warwick.ac.uk/fac/soc/wbs/conf/olkc/archive/oklc5/papers/f-4_resatsch.pdf

Appendix 3: Our approach

The objective of the NAO	To ensure value for money is achieved through the implementation of the National Audit Office's Strategy 2020-2025.
How this will be achieved	Through the development and on-going review of the ODP and through a number of key investments the implementation of the NAO's strategy will ensure that the strategic goals of the organisation are met and achieve lasting impact through carefully considered investment programmes.
Our review	Our review examines whether the NAO's strategy is being implemented in line with VFM principles and whether the additional investment in the following areas is value for money: • Audit Transformation Programme • Value for Money • Knowledge Management
Our evaluative criteria	The review has sought to address the following key questions: • Value: Do the investments made to implement the ODP provide value for money? • Programme Set-up: Is the ODP set up in accordance with good practice and are risks being well managed? • Delivery and Variation Management: Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?
Our evidence	We assessed the Strategy Implementation of the NAO through the following mechanisms: • Interviews with the Executive Team • Interviews with Programme Directors • Interviews and walkthroughs with the Change Team • Interviews and walkthroughs with the Strategy Team • Interviews wider stakeholders including Finance and Hub personnel • Review of supporting documentation on specific areas of the ODP and the wider investments. • Sample testing where applicable
Our value for money conclusions	Overall, the ODP is an effective mechanism to support the NAO to achieve its 2020-2025 strategy and revisions to monitoring processes will further contribute to the oversight to ensure that the strategy is delivered. Whilst it is not possible to evaluate the extent of the impact of the investments across the ATP, VFM and Knowledge Management, at such an early stage, in our view, the concepts that support the spend will provide value for money for the organisation and the service which it provides. The programmes are being effectively managed in line with value for money principles. There are opportunities to consider and enhance specific aspects of the investments in future years of the strategy to ensure that the NAO remains responsive to changes, whilst also ensuring that intended benefits are realised and appropriately monitored.

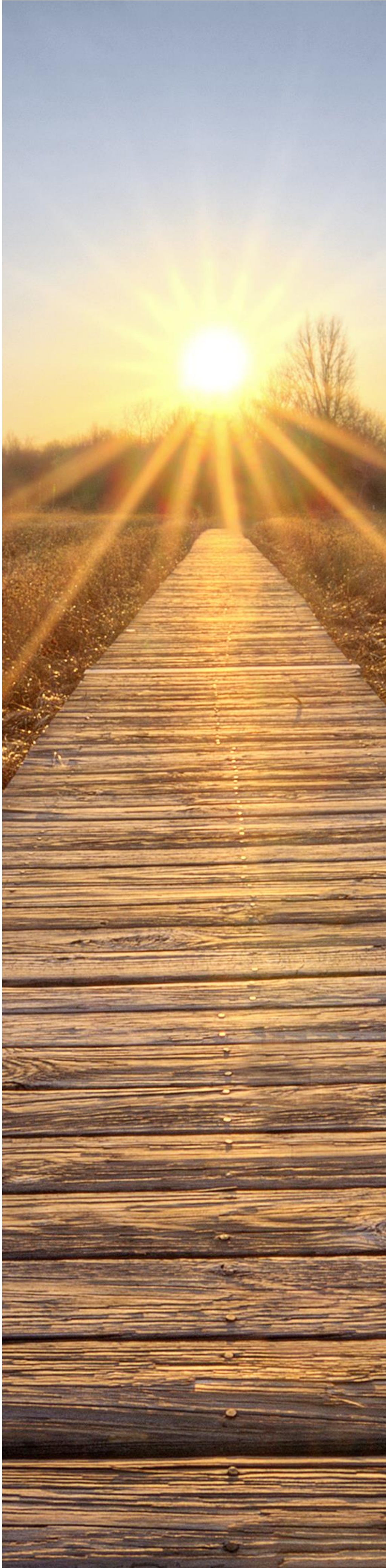
Appendix 4: Evidence gathering

Approach

1. We reached our conclusion on value for money after analysing evidence we collected between February 2021 and June 2021.

2. We reviewed the NAO's approach to achieving value for money within its Strategy Implementation:
    - We prepared interview question sets based on the aforementioned information reviewed;
    - We held interviews with the following:
        - i. **Members of the Executive Team (Three interviews held)**
        - ii. **Theme leads (Two interviews held)**
        - iii. **Hub Director and an Acting Hub Director**
        - iv. **Two ATP Programme Directors**
        - v. **Director VFMPQ**
        - vi. **Director, Finance**
        - vii. **Head of Knowledge & Information Management**
        - viii. **Director of Strategic Insights and Innovation**
        - ix. **Director, Engagement and Change**
        - x. **Member of the Engagement and Change Team**
        - xi. **Director of Strategy**
    - We conducted sample testing where appropriate.

3. We obtained and reviewed supporting documentation, including but not limited to, Strategy documentation, SOBC / OBC, supporting financial documentation and various supporting internal documentation.



Start the conversation

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