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**National Audit Office**

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# NAO Strategy 2020·21 to 2024·25

**MARCH 2020**

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We are the UK's independent public spending watchdog.

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

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2018 the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £539 million.

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This report can be found on the National Audit Office website at [www.nao.org.uk](http://www.nao.org.uk)

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# Foreword

At the beginning of the Comptroller and Auditor General's 10-year term, we decided to carry out a wide-ranging review into the role and purpose of the National Audit Office (NAO). There are significant changes affecting public service provision and the use of public resources. These include: the public spending implications of the government's ambitious infrastructure programme; the plan to achieve net zero emissions; the use of big data and artificial intelligence in public services; and the changes flowing from the UK's exit from the EU. In addition, there are substantial changes affecting the auditing profession which we must also respond to.

Our review involved wide-ranging engagement with our stakeholders. Parliamentarians, civil servants, those running local public bodies and members of the public all provided perspectives on how we can best fulfil our remit and prepare for the challenges ahead. Our people also provided valuable contributions based on their extensive experience of financial and value-for-money auditing.

Our strategy will build on our proven strengths. We will continue to respond to Parliament's responsibility for scrutinising how well government departments and public bodies use public resources and whether they deliver in line with policy commitments. We have developed the capacity to carry out quicker, more responsive reviews when needed. We will continue to work closely with the audit committees and management of the bodies we audit, providing the assurance they require and highlighting areas for improvement.

We will show greater ambition where Parliament, civil servants and the public have said we can do more. We will further deepen our capabilities to provide our expert perspective on the issues that matter. As well as reporting on individual departments and organisations, we will bring together what we have found on important topics in a new series of 'lessons learned' reports. We will update how we report and communicate so our work is accessed and used as widely as possible. We will embed new data analytic technology in our financial audit and value-for-money methodologies to generate new insights and improve our efficiency. We will ensure our audit of government's financial statements keeps pace with the rapid developments in audit quality and regulation in the wider economy.

We aim to be an exemplar organisation, meeting the high standards of performance, efficiency and sustainability we expect of those we audit.

By retaining our existing strengths and investing in these new areas, we are confident the NAO will be well-placed to play its vital role in providing independent assurance and supporting improvement.

Gareth Davies  
Comptroller and Auditor General

Lord Michael Richard KCB  
Chairman

# Introduction

## Our five-year strategy

1 Following the arrival of the new Comptroller and Auditor General (C&AG) in June 2019, we considered the big challenges and opportunities facing the public sector. We thought through how we can best service Parliament and respond to changes in the external environment that affect us as well as the bodies we audit. Our work is held in high regard, but we are not complacent. We know we can achieve more and that there are areas where we need to adapt to ensure our work remains relevant and effective.

2 The UK faces new opportunities and demanding challenges in the 2020s. The government is forging a new relationship with the EU and the rest of the world and is working to achieve net zero emissions by 2050. It has ambitious plans for improving national infrastructure; demographic changes will continue to drive higher demand for health and social care; and technological innovation will continue to reshape whole industries and public service delivery. Greater devolution of powers and responsibilities from Whitehall will mean new accountability and governance arrangements being put in place.

3 This sets a demanding agenda for the National Audit Office (NAO) in supporting Parliament's scrutiny of how government's policy objectives are being implemented. Our new strategy, covering the next five years, ensures we continue to provide effective support to Parliament in scrutinising public sector performance while making our insights available to those responsible for public services (Figure 1 overleaf). Our work will address the cross-cutting nature of many of the government's priorities, as well as the performance of individual departments. We will use our remit across all public spending to provide high-quality and objective evidence and analysis for Parliament.

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## Figure 1

### Overview of the National Audit Office's strategy 2020-21 to 2024-25

#### Our purpose

We are the UK's independent public spending watchdog

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

#### Our strategic priorities

Improving our support for effective accountability and scrutiny

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

Increasing our impact on outcomes and value for money

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

Providing more accessible independent insight

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

#### Our strategic enablers

We will attract, retain and develop high-quality people

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

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

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

We aim to be an exemplar organisation

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

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4 Our strategy is ambitious for the positive impact we can have and the difference this will make to Parliament, the bodies we audit and the public. The changes we will make to implement our strategy:

- Developing deeper insights from our financial audit work. This will allow us to give Parliament and the public better information about how public money is being managed across government and provide the bodies we audit with fresh perspectives on their business.
- Greater focus on long-term value-for-money issues. Our work programme will respond to government's plans with long-term implications for public spending, such as major infrastructure projects; the impact of EU Exit; progress towards the net zero emissions target; the use of technology and data to transform services; and devolution.
- Making much better use of our knowledge. We will make it easier for others to find, understand and apply the lessons from our work and use them to improve value for money. We will publish a new series of reports that bring together what we have learned from our work on important recurring issues, such as commercial contracting and digital transformation. We will use this learning where big projects and programmes are at an early stage, such as the restoration and renewal of the Palace of Westminster, to better influence results.
- Enhancing our expertise in the skills that are a priority for government. This will allow us to focus more work on, and help improve value for money in, areas that are important to making government more efficient and effective. These include: major project delivery; financial and risk management; commercial; people and operational management; and digital.

5 These changes will allow the NAO to be more effective and improve the quality of our work. Achieving these changes will require us to develop and improve our audit processes, systems and skills. We will invest in our financial audit software and methodology and train our staff in new audit techniques. This will allow us to provide Parliament with deeper insights from our financial audit work. It will also ensure that our work is carried out efficiently and allow us to respond to developments in auditing standards and regulation following the Kingman and Brydon reviews. We will invest in value-for-money specialist expertise and skills, recruiting the necessary skills and expertise alongside training our staff in new areas of specialism. This will improve our capacity and capability to better focus on longer-term value-for-money issues. We will invest in our knowledge management processes and capability, and make it easier for people to access knowledge and insights from our work.

6 We will continue to report on the most significant risks to value for money, drawing on our established expertise, such as in-service delivery, procurement, major infrastructure projects, service transformation and the effect of regulation. Where appropriate our value-for-money audits will include the perspective of diverse users of public services and examine the effects of government's activities in different local areas and among different groups.

## **Our purpose**

We are the UK's independent public spending watchdog.

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

7 In developing our new strategy, we revisited the role and purpose of the National Audit Office. Our role has not changed, but the strategy provided us the opportunity to more clearly express our purpose as the independent auditors of public spending for Parliament.

8 The C&AG and the NAO are independent of government. We have the right to choose which areas of public spending to examine and in how much detail we examine them. Our independence enables us to focus on the issues that support Parliament in holding government to account and to provide Parliament with an evidence-based view of public spending and public sector performance.

9 The breadth of our work allows us to provide Parliament with a comprehensive view of public spending. We audit the financial accounts of public sector organisations across government and examine and report on the value for money of how public money has been spent. This allows us to support Parliament's scrutiny across the full span of government activity.

10 We conduct our work with the interests of the taxpayer at its heart. Our work helps Parliament and the people who manage and govern public bodies improve services and make efficient use of public resources.

11 In the rest of this document we set out:

- our strategic priorities and the difference we will make by achieving these (Part One); and
- the strategic enablers and resources we need to realise our strategy (Part Two).



# Part One

## Our strategic priorities

1.1 This section covers how we intend to achieve our three strategic priorities:

- improving our support for effective accountability and scrutiny;
- increasing our impact on outcomes and value for money; and
- providing more accessible independent insight.

### **Improving our support for effective accountability and scrutiny**

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

### Financial audit work

1.2 Parliament, audit committees of public bodies, civil servants and the public expect us to produce high-quality audits compliant with audit standards; to support government bodies in the implementation of any new accounting standards; and to keep pace with industrywide developments in the audit profession. To do this, we need to invest in technology and skills, and ensure our audit methodology is fit for purpose.

1.3 There are now higher expectations around the quality of audit. The audit profession's regulatory regime is developing following the review of the Financial Reporting Council (FRC) by Sir John Kingman and the review by Sir Donald Brydon into audit quality and effectiveness. These reviews provide Parliament with the opportunity to put the right arrangements in place for the oversight of the quality of our audit work.

1.4 Three new financial reporting standards were issued in recent years covering financial instruments, revenue recognition and accounting for leases. Changes to accounting for leases in IFRS 16 is the most far-reaching for the public sector. It requires an organisation to recognise all the assets which are leased, such as property, vehicles and equipment, on the balance sheet as if they were owned, with all future lease payments as a corresponding liability. There are estimated to be more than 75,000 leases across central government affected by the new standard, which will result in an accounting adjustment of between £20 billion and £25 billion according to the latest forecasts. We will need to audit the implementation of these new standards. We have estimated that an additional resource will be required for the first two years of our strategy across our audit portfolio to do this.

1.5 Over time, Parliament has legislated to increase the portfolio of bodies we audit, recognising that we are best placed as independent public auditors to look at bodies that use public resources. At the time of writing this strategy, we know of the following additions to our audit portfolio. We have recently been appointed as the statutory auditor of the FRC and S4C (Channel 4 Wales). Our work on the BBC group will expand to include additional companies that manage UKTV and Natural History Big Pictures. The Parliamentary Buildings (Restoration and Renewal) Act passed in November 2019 granted the NAO with the responsibility to audit the delivery and sponsor bodies charged with undertaking the works for the restoration of the Palace of Westminster. The two bodies come into existence from 1 April 2020 and we will therefore start our audit work from 2020:21. With the exception of the work on Restoration and Renewal, which is funded by Parliament, we will charge a fee for the audited bodies to recover the costs.

1.6 As part of our financial audit work, we also need to consider the changes to the UK government finances and accounts resulting from the UK's exit from the European Union (EU). This will affect both civil service operations and financial reporting requirements. We expect the scheme of subsidies for agriculture and rural development, which is currently administered under the EU's Common Agricultural Policy, to change and with it the related audit regime. While this work has grown in recent years in terms of size and scope, it is too early to say how this work will change for the remainder of the strategy period.

### Investing in digital audit

1.7 We plan to invest £2 million per year in our audit work to modernise and digitalise our audit methodology and fund the associated learning and development packages for our audit staff. The role of technology and data analytics is becoming ever more important across the audit profession, with all audit firms investing in new technology and data analytics to provide higher-quality audits, better insight and more efficient audit processes. We need to ensure that we are in step with industry-wide technological developments in auditing to provide the high-quality audit service expected from us.

1.8 We must therefore invest in our IT platforms for our audits, in the further development of our audit methodology and in our learning and development activities to support our people in adapting to these new audit techniques. Modern audit software allows for better automating of audit methodologies with a greater variety of builtin controls.

### Value for money and wider assurance work

1.9 We help Parliament to hold government to account for its use of public resources by providing high-quality value for money reports, investigations and briefings, as well as supporting its scrutiny of the annual reports and accounts of government departments. Our primary Parliamentary relationship is with the House of Commons' Committee of Public Accounts. Our relationship with the Committee is important to the success of our strategy. In the new Parliament we expect to support between 50 and 65 evidence sessions for the Committee per year. We want to build on our effective relationship with the Committee and aim to provide a further enhanced service. In particular, we will continue to refine our briefings to meet members' needs, by including more local data, making better use of technology and providing more frequent and tailored oral briefings. We will also provide greater support to the Committee in following up on recommendations from the Committee reports.

1.10 We will also continue our support for departmental select committees by identifying opportunities to contribute to their work and provide formal and informal advice and evidence to support their inquiries. We also publish annual overviews of departments to assist committees in their scrutiny of departments' annual reports and accounts.

1.11 We currently have nine people on secondment to select committees and to the Scrutiny Unit. Our people provide expertise to committee members as they carry out inquiries and examine the work of government. We will work closely with the House of Commons Library and the Scrutiny Unit, and we will seek to increase their awareness of our work.

1.12 More generally, we want all MPs to view us as an important source of support and advice. In the new Parliament we will seek to be more consistent with and increase our engagement with individual MPs and their staff by:

- providing briefings on our published outputs. Round-table briefings for Parliamentarians on issues such as infrastructure programmes, health and defence spending have been well received by MPs;
- responding to MPs' correspondence and concerns where value for money may be at risk. Since April 2019, we have provided 77 responses to correspondence from MPs;
- providing advice to MPs on examining departments' annual reports and accounts; and
- providing information for MPs staff and Select Committee staff, particularly if they are new to their post, so they understand how we can help MPs to hold government and public services to account for the use of public resources.

1.13 Over the strategy period we will maintain our programme of factual investigations and rapid reports. We will encourage MPs to raise potential subjects of investigations with us and we can respond quickly to support their scrutiny of emerging issues through timely and relevant investigations. We undertook investigations into the rescue of Carillion's private finance initiative (PFI) hospital contracts and pre-school vaccinations. We also recently produced a briefing on the information the Department for Work & Pensions holds on benefit claimants who ended their lives by suicide, in response to correspondence we received from a previous departmental select committee chair.

### Supporting boards and audit committees

1.14 Our financial audit work is essential in providing high-quality information and independent and objective assessments of the management of public resources for public bodies' audit committees and boards. We help public bodies' audit committees and boards to establish and maintain confidence in the information they have responsibility to report. We will continue to perform this function to help boards and audit committees know how confident they can be in audited information and to provide information on which they can take decisions.

1.15 We will also continue to ensure our value-for-money and wider assurance work provides assurance for public sector boards, audit committees and senior civil servants over high-risk areas of public spending and key public service provisions. Over many years we have reviewed through various value-for-money examinations aspects of the way Her Majesty's Revenue & Customs (HMRC) has developed its customer service. This and our other assurance work in this area has helped HMRC better understand and improve aspects of the service it provides.

1.16 The bodies we audit recognise the value of our wider assurance work in supporting them in their governance and management functions. Around two-thirds of our audited bodies believe we bring a deep and accurate understanding about wider management issues beyond financial management and control matters. Chairs of audit committees praise our ability to make complex issues clear. The bodies we audit tell us, however, that there is more we can do. We will share more best-practice overviews and examples, bringing together our wider expertise and experience to help public bodies learn lessons from what we have seen across the public sector.

## Local audit

1.17 The Comptroller and Auditor General (C&AG) has a statutory responsibility to issue the Code of Audit Practice and supporting guidance, which sets out how external auditors of local public bodies meet their responsibilities under the Local Audit and Accountability Act 2014 and the NHS Act 2006. The Code of Audit Practice must be refreshed at least every five years. We have prepared a new Code, which has been laid in Parliament and which, subject to completion of its negative approval process, comes into effect from 1 April 2020. Building on the work we undertook in 2018 summarising the findings of local auditors, the new Code puts a sharper focus on auditors' work on local bodies' arrangements to secure value for money, and promotes more meaningful and timely reporting to local public bodies supported by clear recommendations for improvement where required.

1.18 Last summer the government asked Sir Tony Redmond to conduct a review of audit and financial reporting arrangements in local government in England. The review is – in part – considering whether the objectives of the Local Audit and Accountability Act 2014 are being achieved. We understand that Sir Tony plans to report his findings and recommendations in June 2020. Therefore, the current local audit framework may evolve in the strategy period.

## Increasing our impact on outcomes and value for money

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

1.19 We have proven expertise in identifying ways in which public bodies can make better use of public resources. However, Parliament and our audited bodies made it clear to us that they would like us to do even more to ensure we focus on the issues that really matter. They would like to see us focus on longer-standing and enduring issues, and they want us to follow up all our recommendations to ensure public bodies follow them, and therefore achieve better results and value for money.

1.20 We will continue to report to Parliament on the most significant risks to value for money, drawing on our established expertise in areas such as service delivery and financial sustainability, contracting and procurement, major projects, service transformation and regulation. We will also maintain our capability to respond rapidly to emerging risks and concerns raised by Parliament and the public. Where appropriate our value-for-money audits and investigations will include the perspective of the diverse range of users of public services and examine the effects of public sector activity in different local areas and among different groups.

1.21 We will design our programme of work to respond to government's plans for addressing major challenges to long-term value for money. There are several changes with profound implications for public spending, including: climate change and the environment; the UK's new arrangements outside the EU; changing demand for public services; new uses of technology and data; and shifting models of government. Many of these can only be addressed effectively by looking across departmental boundaries and using our unique system-wide perspective to do so.

### Investing in expertise

1.22 We plan to invest about £0.7 million in the first year of the strategy and a further £0.8 million in the second year in skills developments. Over the past 10 years, we have improved the effectiveness of productive effort in our value-for-money and wider assurance work. We reduced the average cost of a study while producing the same number of reports each year. On average we now spend 25% less on our value-for-money work than we did in 2010 without affecting the range or quality of studies for the Committee of Public Accounts.

1.23 To be able to support a programme of work that responds to the longer-term challenges for the public sector, we must now invest in specialist skills. We will develop our people's skills in areas such as environmental auditing and digital expertise. We also need to recruit and buy in more specialist expertise and our investment plan will achieve this.

1.24 Coupled with this, we will improve the quality of our recommendations and follow up all our recommendations with audited bodies. We aim for our recommendations to get into the 'bloodstream' of the civil service and lead to lasting public service improvements so Parliament does not have to come back to the same lessons year after year.

## **Our programme of work for 2020-21**

Our work programme for 2020-21 will include the following areas of focus

### **EU Exit**

1.25 Following EU Exit, the UK will need to build expertise in areas formerly exercised by the EU, including trade negotiation and regulatory policy. In the future there will be new funding streams to replace EU programmes, new accountability arrangements to be put in place, legacy IT systems and processes to upgrade and a body of new UK legislation to replace EU law. These changes will need close audit scrutiny. In some cases, new public bodies will be established to run arrangements previously carried out by EU institutions. We will report to Parliament on how departments are preparing for the new relationship with the EU and carry out further work on plans to run new border arrangements at the end of the transition period.

1.26 We have previously reported on the UK's proposed financial settlement with the EU. This is a complex financial transaction, the value of which depends on the result of future events. As new information becomes available, HM Treasury will review its estimate of the cost of the settlement. We expect to undertake further work on the financial settlement.

### **Public spending and service sustainability**

1.27 The government signalled a change of approach to public spending and, in its one-year Spending Round for 2020-21, there was an increase in funding for parts of public services. As that increased spending in priority areas takes effect, we will examine its effect on outcomes and associated value for money.

1.28 Despite improving efficiency, there are signs of some public services struggling to maintain their financial sustainability. We have built up a picture of financial challenges affecting service delivery in many central government and local public bodies, and we will consider financial and service sustainability in our programme of work. Building on work we have done on financial sustainability in local government and in the NHS, we will consider the financial sustainability of further education colleges. We will also consider workforce sustainability and are conducting a study on the nursing workforce.

1.29 Over the next five years public finances will be under pressure from demographic changes as our population ages and more complex needs emerge. This reinforces the need for joined-up decision-making, funding arrangements and delivery between the connected systems such as local government, health and justice, and central government. We will therefore consider how government joins decision-making and funding arrangements between these connected systems. Over the next year, we expect to examine matters such as the funding for local government and the functioning of the adult social care market.

### **Shifting models of government**

1.30 Effective and transparent accountability for public money spent on behalf of citizens is fundamental to democratic government. Accountability and transparency will remain significant areas of focus for us when examining these multi-layered and shifting landscapes, whether we are looking at the assurance landscape, fiscal events such as spending reviews, or individual projects, programmes or policies. We will study the way elements of the local accountability system function in practice, and the arrangements that government departments have put in place to inform themselves on the operation of the system. We will review the progress of devolution on the ground with a focus on local economic growth via the Local Growth Fund, public sector reform in Greater Manchester, and the Industrial Strategy Challenge Fund.

1.31 Many public services are delivered by private providers on a contractual basis. When problems occur, this can result in financial losses falling to the taxpayer, with the government left to identify alternative providers. There are questions about the government's management of the supplier market, the degree of competition for some major contracts, and transition to new arrangements once a contract ends. We will consider how the public sector manages PFI assets and related services as contracts end.

### **Diversity and inclusion**

1.32 We seek to consider diversity and inclusion issues in our wider assurance work. This is essential in assessing whether public services are reaching their intended users and how any barriers to this are identified and tackled. Public bodies are also reliant on the talent of their people. They can only be high-performing if they draw that talent from the widest possible pool and provide an inclusive working environment.

### **Technology and transformation**

1.33 Technology is reshaping relationships between people and public services. Modern, online public services aim to reduce costs and help meet public expectations regarding service quality and accessibility. Transformation projects have not always been as successful, nor delivered the level of financial savings, as first hoped. We have noted the challenges involved in reshaping processes and behaviours to support service improvements and efficiencies, as in the transformation of courts and tribunals or the introduction of Universal Credit.

1.34 Our work in recent years has stressed the importance of protecting government information. It has highlighted both opportunities for the public sector to use data more effectively to improve outcomes and services, and areas where government may need to be more cautious. Our work on Windrush, English language tests and social security benefit awards points to some of the limitations in using data alone to inform government decisions. This will be a continuing theme of our work in coming years as government becomes increasingly reliant on data to inform its activities. We will look at the roll-out of long-term programmes such as Universal Credit, the emergency security network and HMRC's plans for the Making Tax Digital system.



## **Environment**

1.35 Protecting the natural environment for future generations needs coordinated action across government and an understanding of the long-term implications of decisions. The government set out its long-term environmental ambitions in its 25-year environment plan. Earlier this year the government tightened its climate change target, including a legal requirement to achieve net zero emissions by 2050. Meeting climate change targets will need significant changes in energy, transport, housing and agriculture (among other areas) by 2050. With this in mind, we will examine the robustness of government's plans to fulfil environmental goals and net zero emissions targets.

1.36 How government meets its environmental commitments will be a focus for us. We expect to examine how environmental considerations have been considered in departments' planning and decision-making processes, and how government oversees and assures delivery of key policies. We intend to look at how government is organising itself to meet its goals and how initiatives such as low-emission vehicles are being delivered as well as looking at how vital infrastructure, such as flood defences, are being managed.

## **Project and programme management**

1.37 Big capital projects are a significant part of public spending and the new government has set out ambitious plans. The estimated lifetime costs of the Government Major Projects Portfolio, which contains around 130 of the government's highest-value and most critical projects, is around £440 billion, with many more projects and programmes outside of this portfolio.

1.38 Auditing and reporting on the value for money with which government departments and agencies carry out their projects and programmes has long been a big subject of focus for us, and one in which we have exerted influence and improved government accountability. We have recently reported on Crossrail, High Speed 2, Nuclear infrastructure, and Prisons estate programmes, as well as the challenge faced by the Ministry of Defence in affording its defence equipment commitments. Our work has improved transparency and understanding of the risks and challenges for delivering major programmes.

1.39 We will look at the effectiveness of digital services at the UK border, and at the Royal Navy's Carrier Strike programme bringing together US-built F35 fighter jets and a new helicopter-based radar system. The restoration of the Palace of Westminster is a large programme and we will take an early look at the risks to delivery, based on our expertise in looking at major programmes. We are likely to report regularly throughout the life of the restoration, which extends into the 2030s.

1.40 The government has indicated a commitment to increase investment in infrastructure. We will focus on important projects and programmes over the coming year as the government delivers its existing commitments and plans further physical and digital infrastructure investment. In the year ahead we will consider progress made by the Department for Digital, Culture, Media & Sport and Broadband UK in providing superfast broadband to households and businesses across the UK, and the switch to electric vehicles, including the provision of charging points. We will also draw together the insights from our work on project and programme management to support Parliament and the public sector in learning lessons from our previous experience.

### **Devolution**

1.41 The framework for devolved audit and accountability agreed between the UK and Scottish governments provides a positive approach to the provision of audit assurance in a devolved environment. We will continue to take forward requests from Audit Scotland to examine devolved activities performed by UK public bodies audited by the C&AG.

1.42 The Wales Act 2014 introduced a new statutory requirement for the C&AG to report on administering Welsh income tax for each financial year. We published our first report in January. This covered the activities of HMRC before introducing the Welsh rates of income tax in April 2019.

### **Financial reporting and management**

1.43 Our financial audit work has a broad reach across the public sector and, as well as supporting effective accountability, is equally crucial to achieving good results from government's use of resources. That is because good financial reporting and financial management provide the foundations to improving outcomes and value for money. For example, the BBC Board used insights from our financial audit of its commercial income to help inform its understanding of the evolving risk profile of these income streams in relation to the global market within which the BBC works. Our insights were a contributing factor in the BBC's decision to change the governance arrangements it has in place to oversee its commercial activities.

1.44 Parliamentarians have called for improvements to the public sector's performance and accountability reporting in annual reports and accounts. Done well, reporting in the public sector allows the public and Parliament to understand, with ease and confidence, an organisation's strategy and the risks it faces, how much taxpayers' money has been spent and on what, how it has exercised management over those funds and what has been achieved as a result. While we are starting to see improvements in the stronger performers, we want to do more to promote good financial reporting and financial management in the public sector.

## **Providing more accessible independent insight**

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

1.45 We are uniquely placed to have the breadth and depth of oversight over the public sector and we have and will continue to share these insights. For example, we have brought together audit findings on cross-government topics, such as on project and programme management and costings. We produced specific audit committee guides on topics of interest, such as public bodies' approaches to digital transformation, and shared our insights at seminars and conferences with public bodies. We responded to interest from individual MPs with written and oral briefings and made presentations in Parliament for all-party Parliamentary groups. In some cases, we have made the data underlying our audit work more accessible, for example for the Whole of Government accounts.

1.46 We plan to introduce a new range of lessons learned reports (about six per year) on cross-government topics that bring together our deep and accurate understanding and good practice on specific themes from our work. This will include a report produced each year that brings together our view of the government's financial management, garnered from our audit work. We will also use our excellent links with international organisations, including other Supreme Audit Institutions, to more routinely access international good practice to inform our work.

1.47 We want more people to know about our work and make sure that our findings are presented in the right form, at the right time. The way people communicate and absorb information will change as advances in digital and social media will rapidly continue. We must evolve the way we communicate to meet the needs of our audiences, and to be recognised as a provider of high-quality audit work.

1.48 We will build our digital and social media capabilities. We have begun to do this, for instance by creating an EU Exit hub on our website and making short videos summarising parts of our work. We want to improve our website to make it easier to search for and access the wide range of insights we produce. We will consider our publication format and how we share information with our audiences in the most engaging, easy and accessible way for them to consume. Our aim is to make informed decisions about how to adapt and improve our content based on what people find useful and using modern communication techniques and channels.

## Investing in knowledge management

1.49 We plan to invest £0.3 million in 2020:21 in knowledge management, rising to £0.5 million a year for 2021:22 and beyond. By developing the expertise of our people, drawing together insights from across our audit programme, and improving access to insight on important topics, our work will support better Parliamentary oversight and improvements across public spending. We will draw out insights and lessons learned more systematically from our work and provide early engagement on emerging issues and spending risks.

1.50 We want to therefore invest in our knowledge management processes and systems, and provide specific expertise to support reports and activities, drawing together lessons learned for our audited bodies and Parliament.

# Part Two

## Our strategic enablers and the resources we need

2.1 This section covers the resources we need to deliver our strategy and how we will deliver against our three strategic enablers:

- we attract, retain and develop high-quality people;
- we make more effective use of technology, data and knowledge; and
- we aim to be an exemplar organisation.

### Our overall resource request

2.2 We audit more than £1.7 trillion of taxpayers' money each year. We generate annual financial impacts between £500 million and £1 billion, and a larger range of benefits not easily translated into pounds. We have achieved a lot over recent years with the budgets we were given, but there are some areas which now show signs of underinvestment. The investment outlined in Part One will boost our value-for-money work and digital audit capability and transform the way we manage knowledge. It will enable us to respond to our changing environment and make the most of our cross-government knowledge and insights, to the benefit of both Parliament and the bodies we audit.

2.3 Without any letup in our drive for efficiency, we seek an increase of around 11% in our net resources over the next three years. This is around 5% after discounting the effect of inflation over the same period (Figure 2 overleaf). Our proposals will provide us with more capacity and extra skills and translate into greater numbers of people compared to 825. The appendix gives a detailed breakdown of the resources we need and how we plan to use them.

**Figure 2**  
Forward resource plans

	2019-20 Budget	2020-21 Proposed	2021-22 Proposed	2022-23 Proposed	Period total
Total Spend (£m)	92.3	99.0	101.6	102.8	
Income (£m)	21.3	23.1	23.5	23.8	
Net Spend (£m)	71.0	75.9	78.1	79.0	
Change year on year (£m)		4.9	2.2	0.9	8.0
Change year on year (%)		7.0	2.8	1.2	11.3
Inflation adjusted over period					5.1
People numbers	825	852	865	860	

Note

1 Figures may not sum due to rounding.

Source: National Audit Office

## Why do we need additional resource?

2.4 The changes in our expenditure and income budgets are set out in Figure 3. Our investment has been phased to reflect the best estimate of when we will be able to recruit the right people and right skills. We have an excellent track record of only asking for money that we need, and not drawing on it if circumstances change such that it is no longer required. However, our plans are well within our control and will significantly raise the range and quality of the assurance work we provide for Parliament. We recognise the challenge of mobilising resource, but we are confident that we can meet our ambitions of the timeframes set out in Figure 3 and make good use of the extra funding given to us by Parliament.

2.5 The planned movements include:

- investment in our digital audit of £2 million per year, which will continue at this level across the three year period. As outlined in Part One (paragraph 1.7) this will allow us to invest in a new IT platform for our audits, help us transform our audit methodology and provide the learning and development activities needed to support our people in adapting to new audit techniques;
- investment in our value-for-money expertise – this will be £0.7 million (paragraph 1.22) in 2020-21, rising to £1.5 million in 2021-22 and continuing at this level. As outlined in Part One, this will allow us to recruit and buy in more specialist expertise in areas where we have expertise and capability gaps, such as in environmental auditing and digital change;
- investment in our knowledge systems – this will be £0.3 million (paragraph 1.49) in 2020-21, rising to £0.5 million in 2022-23 and continuing at this level. This will allow us to invest in knowledge management processes and systems, and to enable us to produce around six lessons learned reports a year for our audited bodies and Parliament;

- increases in the size of our assurance portfolio totalling £1.6 million a year, funded mostly through audit fees;
- the audit response to the implementation of new accounting standards, which we estimate will cost £0.8 million during the initial two years of our Strategy. This will reduce by £0.4 million in the final year as we complete our work, with no further resources required beyond that;
- annual increases to reflect our proposed pay award of 2% and inflation and other cost pressures on non-staff costs. We have also removed contingency provision within our staffing budgets, which was worth £0.6 million; and
- fee increases to ensure that we continue to recover the full costs of our audit work in line with our agreed scheme of fees

### Figure 3

Analysis of change in resources year-on-year

	Change in resource 2019-20 to 2020-21 Proposed £m	Change in resource 2020-21 to 2021-22 Proposed £m	Change in resource 2021-22 to 2022-23 Proposed £m	Total change in resource 2019-20 to 2022-23 £m
Investment:				
Digital audit	2.0	–	–	2.0
Value for money expertise	0.7	0.8		1.5
Knowledge	0.3	0.2		0.5
Statutory work and inflation:				
Portfolio change <sup>1</sup>	1.6	–	–	1.6
Accounting standards	0.8		-0.4	0.4
Pay adjustment and other cost pressures	1.3	1.6	1.6	4.5
Change in total spend year-on-year	6.7	2.6	1.2	10.5
Increase in fees	1.8	0.4	0.3	2.5
Change in net spend year-on-year	4.9	2.2	0.9	8.0
People numbers	+27	+13	-5	35

#### Notes

<sup>1</sup> Portfolio change consists of £0.5 million of new audit bodies, £0.4 million work on the restoration and renewal of Parliament (both audit and value for money), and £0.7 million growth in the assurance work over EU agricultural funding. The assurance work on the EU may discontinue once the terms of the withdrawal have been agreed. However, we do not yet have enough information to provide estimates for this. The work we do on behalf of the EU agricultural funds is worth £3.8 million per year.

<sup>2</sup> Figures may not sum due to rounding.

## **We attract, retain and develop high-quality people**

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

### **Developing our people and their careers**

2.6 Our people must have high-quality skills and training, so we are introducing a new learning and development approach and offer. Our plans include improving line management and performance management of our people; and supporting our people in the use of modern technology and emerging data and software functionality. As part of our investment to modernise our audit approach, we will introduce specific training in data analytics and controls-based audit.

2.7 We will make sure our people work across our financial audit and value-for-money service lines, and develop specialist knowledge, where this fits with their personal preferences and intended career path. This will equip them with a wide set of marketable experience and expertise for their career. As part of this, we will provide our people with external work placements and secondments.

### **Pay and benefits**

2.8 Our budget for staff costs reflects our expected pay award and people numbers. Our practice in recent years was to include flexibility in our budget that would allow us to make pay adjustments in-year by another 1% if we needed to do so. However, we have taken note of HM Treasury's advice that discourages other bodies from budgeting for extra spending (such as pay) that may not manifest itself. We no longer include a provision for added flexibility in our budgets.

2.9 Our pay awards are determined in consultation with stakeholders, including our Board, and are negotiated with the trade union. They are informed by our assessment of inflation and earnings growth, by independent external benchmarking of the latest pay settlements in comparator organisations, and recent data on staff turnover. Based on this, we plan annual pay increases of 2%.

2.10 We offer wider benefits to our people to make the National Audit Office (NAO) a great place to work. We support flexible working and promote health and well-being through a cycle-to-work scheme, regular health checks and access to gym and fitness classes. We also offer support from a cadre of trained mental health first aiders and access to a specialist occupational health service. Our employee assistance programme provides staff with 24/7 support for a range of life events, including independent counselling for those with stress-related conditions.



## Diversity and inclusion

2.11 We will attract a diverse range of talented people, support them in having a great career in the NAO and make the NAO a diverse and inclusive workplace. We have more to do to achieve this, and plan to take the following actions:

- **Talent management:** We will improve the representation of women and black, Asian and minority ethnic colleagues, and disabled colleagues at senior levels. This builds on the positive progress we have made in achieving a gender-balanced middle management.
- **Recruitment:** All our external recruitment campaigns will focus on securing a diverse range of talents. This includes using the services of external agencies with a strong record of attracting a diverse group of candidates to senior roles.
- **Trainee and analyst selection:** We are changing our trainee and analyst attraction and selection processes to attract a diverse intake. We benchmark our performance with comparator organisations.

## We make more effective use of technology, data and knowledge

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

2.12 We will invest in the digitalisation of our audits, the development of our audit methodology, and the learning and development activities needed to support our people in using new audit techniques. Our planned areas of investment:

- **Audit transformation and data analytics.** We will introduce new audit software and expand our data analytics approaches across our financial audit and value-for-money work. Modern audit software allows for better automating of audit methodologies with a greater variety of built-in controls, and integration of data analytics methods into a standard way of auditing. This will not only enhance the quality and efficiency of our audit work, but also create more insights for the bodies we audit and for Parliament.
- **Modernising our value-for-money process.** We will make our value-for-money study processes as efficient as possible. We are in the early stages of testing options for improving how we produce and check our reports, including how we store audit evidence and link it to our work. We will also automate more of our quality processes.
- **Information and data security.** We have changed how we manage and handle data from the bodies we audit. We recently moved communication and information management systems into secure cloud service provision and issued new, more secure laptops and mobile phones. In the next phase of our cloud strategy we will move remaining content and data stores into cloud storage and continually strengthen our defence against cyberattacks.

## **We aim to be an exemplar organisation**

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

### **Demonstrating value for money**

2.13 Our most recent financial accounts show that we reduced net resource costs by 20% in real terms against our 2010:11 baseline. In the same period, we have reorganised the way we work and upgraded our backoffice IT systems, which has allowed us to rent out our surplus office space, earn extra income and reduce the size of our backoffice teams.

2.14 Over the strategy period, there will be no letup in our focus on efficiency. Although we ask for additional investment, there is no unnecessary spend in our forward plans and we will continue to take steps to ensure we are efficient and cost-effective, and make savings where we can. Some examples:

- We maintain pay restraint across the organisation and have reduced the size of our senior management team.
- We continue to optimise our corporate services through greater use of IT and will carry out a series of process and policy efficiency reviews over the strategy period, supported by our external auditors. For example, we are reviewing our supplier invoice and payments process, which is still mostly paper-based, to move this online and save time and resource. We are automating the bulk creation of audit portfolios in our project management system, so that teams no longer set up audit projects manually every year, freeing up time that they can now spend on audit work.
- Despite the increase in the number of people by 35 over this period, we will not seek additional office area and will reorganise existing workspace. This will further improve our utilisation of our office space.

2.15 Our investment in technology and data analytics will also allow us to be more efficient in how we audit. Automation of routine work flow will allow our teams to focus on more complex management judgements and estimates. Some examples include:

- automated consolidation tools that reperform the preparation of departmental group accounts; a process which used to take weeks of auditor time can now be done in minutes. This is, for example, being used effectively in the Department for Digital, Culture, Media & Sport, which has a complex group structure;
- a suite of data diagnostic tests and visualisation which look at different elements of a 'purchase to pay' cycle. They highlight anomalies and direct audit effort efficiently towards the highest risk, and provide useful insight to management where they can improve their process; and
- document reading software under development will automatically compare accounting policies year-on-year to highlight changes and inconsistency, allowing audit teams to focus quickly on new developments.

**Use of other audit firms and offices**

2.16 We will outsource more of our financial audits. Working with private firms encourages competitive tension and helps us benchmark how efficient and effective we are. We also use private firms when we need specialist skills in the areas of pension and property valuations.

2.17 With 400 public sector organisations having a year end of 31 March, there is an unavoidable spike in our audit work during April to July, particularly where we are auditing assets and liabilities that are valued at 31 March. We will make greater use of partners to manage our audit portfolio during this intensive period and relieve unreasonable pressures on our people.

**UK audit fees**

2.18 The increases in income from our audit and assurance work reflect changes in the size of our portfolio, specifically the new audits we have been asked to undertake. Our fees are set to cover the full costs of our audit and assurance work. The principles of setting the rates are laid out in a scheme of fees approved by the Public Accounts Commission at its evidence session in March 2019. In line with these principles, we have applied a 5% increase to our rates, reflecting an increase in our cost base with a recent uplift to the employer contribution rates into the Civil Service Pension Schemes. We plan further increases in line with inflation in 2021:22 and beyond.

**Other main income sources**

2.19 Our rental income is earned on the parts of our London office building that are made available for commercial letting. This represents a 40% reduction in our total working space needs, freed up as we make better use of technology and flexible working practices. We continue to look at how we can maximise our income by increasing services we charge for and offer to tenants, film companies and other external organisations.

2.20 We also carry out small interventions designed to strengthen governance and accountability of UK taxpayers' money flowing beyond the UK's borders. This includes the external audit of international bodies and partnership projects with other audit institutions designed to improve their capabilities and knowledge. We charge fees for carrying out this work to cover our costs, and we recognise this as income. Not only does this offer interesting and challenging work for our people, we programme the timing of the assignments to fall outside our audit peak and complement our UK responsibilities.

**Asset management**

2.21 Our assets are funded through our capital budgets. These budgets cover the purchase of IT assets such as laptops, mobile phones and video conferencing equipment, and are based on detailed asset plans showing the timetable for replacement of physical assets. However, our main physical asset is the office in London, which is held on a long lease at a peppercorn rent from Network Rail and which, including the land on which it is sited, has a current market value of some £95 million.

2.22 The London building is a Grade II listed site. It was fully refurbished between 2007 and 2009, during which most plant and equipment was replaced. This work transformed it into a modern, open-plan office and introduced many environmentally friendly features. It is now 10 years since these works were completed. We are carrying out a detailed condition survey of the building and are assessing the state of each component and its remaining useful life. The survey is due to be completed in 2020. We are also assessing the current position in respect of building insurance and associated risks. There may be further capital expenditure and costs following this exercise, and we will discuss this with the Commission once it is known.

### Environmental performance

2.23 We support and welcome the UK's environmental commitments, including the target to cut greenhouse gas emissions to zero by 2050. We will lead by example and obtain net zero emissions by 2029. In addition, we have a range of detailed targets that include reducing waste generation and increasing recycling, lowering water consumption and decreasing our energy usage, improving the energy efficiency of equipment, and reducing emissions associated with travel. These targets currently run to 2020:21. We are in the process of setting new targets which will be at least as ambitious as those set by government.

### Measuring our performance

2.24 We are developing a new performance measurement framework to measure our progress against this strategy and demonstrate to Parliament that we make the best possible use of our resources. We will present our new framework to Parliament with our estimate in late spring.

# Appendix One

## Finance tables

**Figure 4**  
Resource allocation by activity

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
Audit and assurance	57.3	62.6	63.7	64.5
Value for money	17.0	18.0	19.1	19.3
Investigation and insight	11.3	11.7	12.0	12.1
Support for Parliament	5.6	5.6	5.7	5.8
International relations	0.9	0.9	0.9	0.9
Comptroller function	0.2	0.2	0.2	0.2
Total spend	92.3	99.0	101.6	102.8
Income	21.3	23.1	23.5	23.8
Net spend	71.0	75.9	78.1	79.0

### Notes

- 1 The increase in audit and assurance reflects the growth in our audit portfolio, including the extra work on leases; and the £2 million increase in investment in audit transformation, analytics and associated learning and development.
- 2 The increase in value for money includes the £1.5 million investment to enhance capability. Investigation and insight budgets include the £0.5 million investment in knowledge. Of this, £0.7 million and £0.3 million is included in 2020:21 respectively, with the full amount included in 2021:22 and onwards.

<sup>3</sup> Figures may not sum due to rounding.

Source: National Audit Office

**Figure 5**  
Expenditure by type

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
Staff costs	66.0	69.0	71.5	72.5
Non-staff costs	26.3	30.0	30.1	30.3
Total spend	92.3	99.0	101.6	102.8
Income	21.3	23.1	23.5	23.8
Net spend	71.0	75.9	78.1	79.0

Note

1 Figures may not sum due to rounding.

Source: National Audit Office

**Figure 6**  
Staff costs and numbers

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
Wages and salaries	44.9	46.9	48.6	49.4
Social security costs	5.2	5.5	5.7	5.8
Pension costs	12.5	13.2	13.7	13.9
Direct staff costs	62.6	65.6	68.0	69.1
Staff-related costs	2.8	2.8	2.8	2.8
Staff benefits	0.4	0.4	0.4	0.4
Apprenticeship levy	0.2	0.2	0.2	0.2
Total staff costs	66.0	69.0	71.5	72.5
Total staff numbers	825	852	865	860

Notes

1 Direct staff costs reflect the annual pay awards of 2%, increases in staff numbers and changes in the staff mix and skill sets. Staff number increases include the extra audit effort required for growth in the portfolio of work, plus investment in value-for-money expertise and capability, a central knowledge team and staff to manage our work in audit technology and data analytics.

2 Figures may not sum due to rounding.

Source: National Audit Office

**Figure 7**  
Non-staff costs

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
Professional services	11.8	13.5	13.5	13.5
Travel	2.3	2.3	2.3	2.3
Digital audit	0.6	2.3	2.3	2.3
Office costs	8.7	8.9	9.0	9.2
Depreciation and amortisation	3.0	3.0	3.0	3.0
<b>Total non-staff costs</b>	<b>26.4</b>	<b>30.0</b>	<b>30.1</b>	<b>30.3</b>

Notes

- 1 The increase in professional services includes our plans to outsource more of our work and manage the continued growth in our audit portfolio in a sustainable way. It also includes the extra specialist advice we will need to support our centres of excellence in pensions and valuations.
- 2 The increase in audit technology includes the extra investment we will make in this area to enhance our data analytics capability and to upgrade audit software.

<sup>3</sup> Figures may not sum due to rounding.

Source: National Audit Office

**Figure 8**  
Income

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
UK audit fees	17.6	19.6	19.9	20.1
International audit fees	0.5	0.5	0.5	0.5
Other overseas work	0.4	0.4	0.4	0.4
Secondment income	0.6	0.3	0.3	0.3
Rental of office space	2.2	2.3	2.4	2.5
<b>Total income</b>	<b>21.3</b>	<b>23.1</b>	<b>23.5</b>	<b>23.8</b>

Note

- 1 There is an increase in our audit fees which reflects both the growth in our portfolio where we charge a fee for the work directly to the audit body and an increase in our hourly fee rates, which reflect changes in our own internal costs.

<sup>2</sup> Figures may not sum due to rounding.

Source: National Audit Office

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### Figure 9

#### Capital spend

	2019-20 Budget (£m)	2020-21 Proposed (£m)	2021-22 Proposed (£m)	2022-23 Proposed (£m)
IT equipment and licences	0.8	1.2	1.0	1.8
Property, plant and equipment	0.2	0.3	0.3	0.3
Total capital spend	1.0	1.5	1.3	2.1

#### Note

1 We currently lease office space in Newcastle upon Tyne. The lease ends in August 2023. If we were to renew, we will need to recognise for the full 10-year value of the lease upfront at the point of renewal as if it were a capital purchase. This is required under the new accounting standard IFRS16 'Leases'. Based on current estimates this would require a capital budget of approximately £2.5 million. Based on current timelines, this would impact the 2023-24 financial year.

2 

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 Figures may not sum due to rounding.

Source: National Audit Office



**Figure 10****Resource use overtime**

	2015-16		2016-17		2017-18 <sup>1</sup>		2018-19 <sup>2</sup>		2019-20 <sup>3</sup>	2020-21 <sup>4</sup>	2021-22	2022-23
	Estimate (£m)	Outturn (£m)	Estimate (£m)	Outturn (£m)	Estimate (£m)	Outturn (£m)	Estimate (£m)	Outturn (£m)	Estimate (£m)	Proposed (£m)	Proposed (£m)	Proposed (£m)
Audit and assurance	84.8	83.2	83.2	83.2	85.4	83.9	88.1	86.7	92.3	99.0	101.6	102.8
Income	-20.3	-19.3	-18.7	-19.3	-18.8	-19.1	-20.6	-21.0	-21.3	-23.1	-23.5	-23.8
Net resources	64.5	63.9	64.5	63.9	66.6	64.8	67.5	65.7	71.0	75.9	78.1	79.0
Capital expenditure	2.0	1.1	1.0	0.9	1.0	0.8	1.4	1.3	1.0	1.5	1.3	2.1

- 1 The net resource outturn in 2017-18 of £64.8 million was less than the estimate for that year of £66.6 million by £1.8 million. Our costs were less than budget by £1.5 million. This is a result of not drawing on the provisional budget for in-year pay adjustments of £0.6 million and a rebate in the business rates relating to our London property of £0.3 million (change initiated by Westminster City Council). We also made savings in our budgets for professional services of £0.6 million and earned extra income of £0.3 million.
- 2 The net resource outturn in 2018-19 of £65.7 million was less than the estimate of £67.5 million by £1.8 million. This is because we did not draw on our provisional budget for in-year pay adjustments of £0.6 million, and we operated below our planned headcount by 14 people for the year. This put a lot of pressure on staff and is not sustainable. We have taken steps to increase recruitment and return us to full complement.
- 3 The estimate for 2019-20 includes the changes in employer pension contribution rates that apply to all active members of the Civil Service Pension Scheme. This change was valued at £2.7 million.
- 4 The proposed resources for 2020-21 and onwards include an annual investment of £4 million in value-for-money capability, knowledge and audit technology and analytics. Of this, £2.9 million will be needed in 2020-21, rising to £4 million per year for 2021-22 and 2022-23.

5  
Figures may not sum due to rounding.

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Source: National Audit Office







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