

The Role of the National Audit Office

The role of the Comptroller and Auditor General (C&AG), as head of the National Audit Office (NAO), is to report to Parliament on the spending of central government money. We conduct financial audits of all government departments and agencies and many other public bodies, and report to Parliament on the value for money with which public bodies have spent public money. Our relations with Parliament are central to our work, and we work closely with the Committee of Public Accounts. We also work closely with other public audit bodies who have a role in other areas of public expenditure.

Financial Audit

Under the law, the C&AG and the NAO are responsible for auditing the accounts of all Government departments and agencies and to report the results to Parliament. Individual accounts can range from the Department for Work and Pensions, to the Passport Agency. The C&AG also audits over half of the 'arm's-length' public bodies (known as non-Departmental public bodies), examples of which include the Legal Services Commission and the Regional Development Agencies. We are also responsible for auditing all National Loans Fund accounts. We have several international clients, such as the International Labour Organisation and the European Agricultural Guidance and Guarantee Fund, which are won in open competition against other auditors. In total, we audit over 550 accounts per year, and total expenditure and revenue of over £650 billion. As with other auditors, the C&AG is required to form an opinion on the accounts, as to whether they are free from material misstatements. The C&AG is also required to confirm that the transactions in the accounts have appropriate Parliamentary authority. If the NAO identify material misstatements, the C&AG will issue a qualified opinion. Where there are no material errors or irregularities in the accounts, the C&AG may nonetheless prepare a report to Parliament on other significant matters. Such reports may be considered by the Committee of Public Accounts of the House of Commons. Even if no report is made, the NAO will still, where appropriate, write a letter to the management of a body outlining where improvements in their systems could be made. Such 'management letters' often lead to significant changes.

Value for Money Audit

Around 50 reports to Parliament are presented each year by the Comptroller and Auditor General on the value for money with which Government departments and other public bodies have spent their resources. Under the 1983 National Audit Act, the National Audit Office can examine and report on the economy, efficiency and effectiveness of public spending. We use the following definitions for the 'three Es':

- Economy: minimising the cost of resources used or required – spending less;
- Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and
- Effectiveness: the relationship between the intended and actual results of public spending – Spending wisely.

Our value for money work covers a wide range of issues. Our reports range from examining the entire operation of the criminal justice system to the major procurement projects of the Ministry of Defence and the administration of European Union schemes by the Ministry of Agriculture, Fisheries and Food. We identify topics for examination from careful monitoring and analysis of the risks to value for money across the full range of our responsibilities. And we use staff with a wide range of professional expertise, bringing in outside consultants where necessary.

Relations with Parliament and the cycle of accountability

Relations with Parliament, and in particular with its Committee of Public Accounts, are central to our work. The C&AG is, by statute, an Officer of the House of Commons and all our main work is presented to Parliament by Order of the House of Commons. Each year around 40 to 50 of our reports – both value for money reports and reports on accounts of public bodies – are investigated further by the Committee of Public Accounts (PAC). The PAC take evidence from Accounting Officers, senior governmental officials who have been specially designated by the Treasury and have a personal responsibility to ensure the prudent stewardship of public funds. The C&AG, or his deputy, and a senior official from the Treasury attend all the Committee's hearings. The PAC will then issue their own report. By convention, the Government must reply to their recommendations within two months. The C&AG and/or the PAC can decide to conduct a follow up investigation into the issues raised. In this way, a cycle of accountability operates. Once public money has been spent by a central government body, the C&AG is free to report to Parliament on the regularity, propriety and value for money with which this has been done. The Committee of Public Accounts can take evidence on this report from the most senior official in that public body, and can then make recommendations to which the Government must respond. We are also willing to assist Parliament in whatever way we can. Each year, we respond to over 400 queries from Members of Parliament on issues affecting public spending.

Relations with Other Public Audit Bodies

As the auditor of central government expenditure, the NAO is the principal state audit body in the United Kingdom. Other bodies are responsible for other aspects of public spending in the UK. The Audit Commission is responsible for appointing the auditors for local authorities and health service bodies in England and Wales and for promoting value for money in these sectors. The Auditor General for Scotland, supported by Audit Scotland, is responsible for auditing the expenditure of the Scottish Parliament and Executive and reporting to that Parliament. Staff at Audit Scotland are also responsible for local authority audit in Scotland. The Auditor General for Wales, who is supported by staff from the National Audit Office in Cardiff, reports to the National Assembly on the accounts and value for money of public bodies in Wales. The Comptroller and Auditor General for Northern Ireland and the Northern Ireland Audit Office do a similar job in respect of the Northern Ireland Assembly (and report to the Westminster Parliament if the Assembly is not in operation). The various public audit bodies work as closely as possible together to share good practice. To this end, they have established a Public Audit Forum to act as a focus for developmental thinking on public audit.

The European Court of Auditors (ECA) are responsible for auditing European Union expenditure in all EU member states, including the United Kingdom. The NAO acts as a liaison point between the ECA and UK departments. We also report regularly to Parliament on issues relating to the expenditure of EU funds in the UK, and on occasion, on wider issues of financial management within the European Union.