Witness Name: Gareth Davies
Statement No: M7/NAO/01
Exhibits: GD/01 to GD/10
Dated: 5 June 2025

UK COVID-19 INQUIRY

WITNESS STATEMENT OF GARETH DAVIES (COMPTROLLER & AUDITOR GENERAL)

I, Gareth Davies, will say as follows: -

Role and responsibilities

1. The National Audit Office (NAO) is the UK's independent public spending watchdog. It supports Parliament in holding government to account and helps drive improvements in public services through its audit work. The NAO is a statutory entity, independent of government and the civil service. Parliament provides the NAO's resources following approval by the Public Accounts Commission. The Commission holds me to account for their use. As Comptroller and Auditor General (C&AG) I lead the NAO and am an Officer of, although operationally independent from, the House of Commons. I have statutory responsibilities and powers to:

    - audit and report on the financial accounts of all government departments, other central government entities and specified public bodies. I provide an independent audit opinion on around 400 accounts per year.

    - conduct discretionary examinations and report to Parliament on the economy, efficiency and effectiveness with which audited bodies have used their resources. I publish around 60 'value for money' examinations a year together with other outputs that provide transparency and insight on issues of public interest. In undertaking such work, I am not permitted to question the merits of government's policy objectives.

- authorise HM Treasury requests for the release of money from the Exchequer on each business day to fund government's activities – this is known as the Comptroller function.

- set the Code of Practice for local public audit – the Code specifies what appointed auditors must do to meet their responsibilities as auditors of local public bodies.

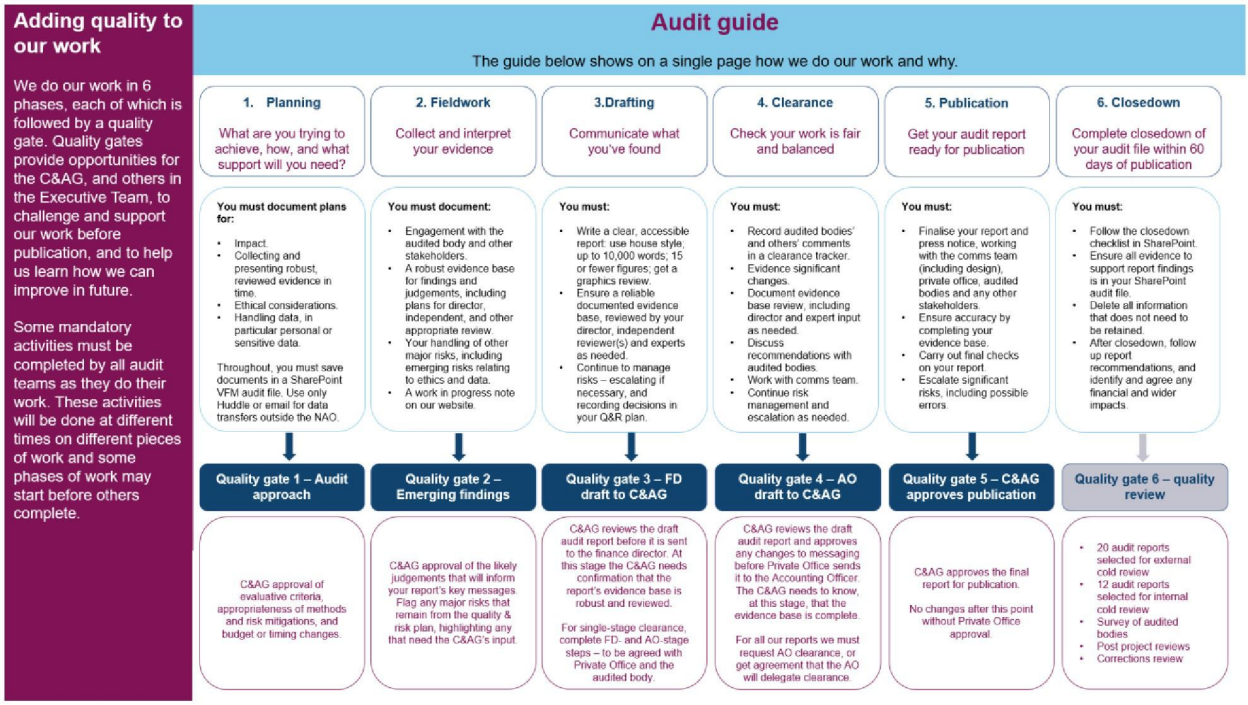
2. My work supports Parliament's Committee of Public Accounts (PAC). The Committee uses my reports to hold evidence sessions with senior government officials focused on public spending and the implementation of government policy. Drawing on these sessions, the PAC produces its own reports and make recommendations to government. The government's responses to the PAC's recommendations are provided in documents called Treasury Minutes. NAO reports, PAC reports and government Treasury Minutes are all available online.

Conducting audits

3. I conduct my audit of financial accounts in accordance with professional auditing standards developed and maintained by the Financial Reporting Council. Value for money examinations and other outputs are performed in accordance with NAO standards that set out the expectations that all outputs must meet.

4. Financial audits and value for money examinations are subject to rigorous internal and external quality inspection regimes. Further details on audit quality arrangements and the results of inspections are set out in the NAO's annual Transparency Report GD/01 - INQ000578198. This includes commentary on the operation of the NAO's Audit Quality Board which advises the C&AG and the NAO Board on the effectiveness of audit quality controls, for example, the operation of our current Financial Audit Quality First Plan.

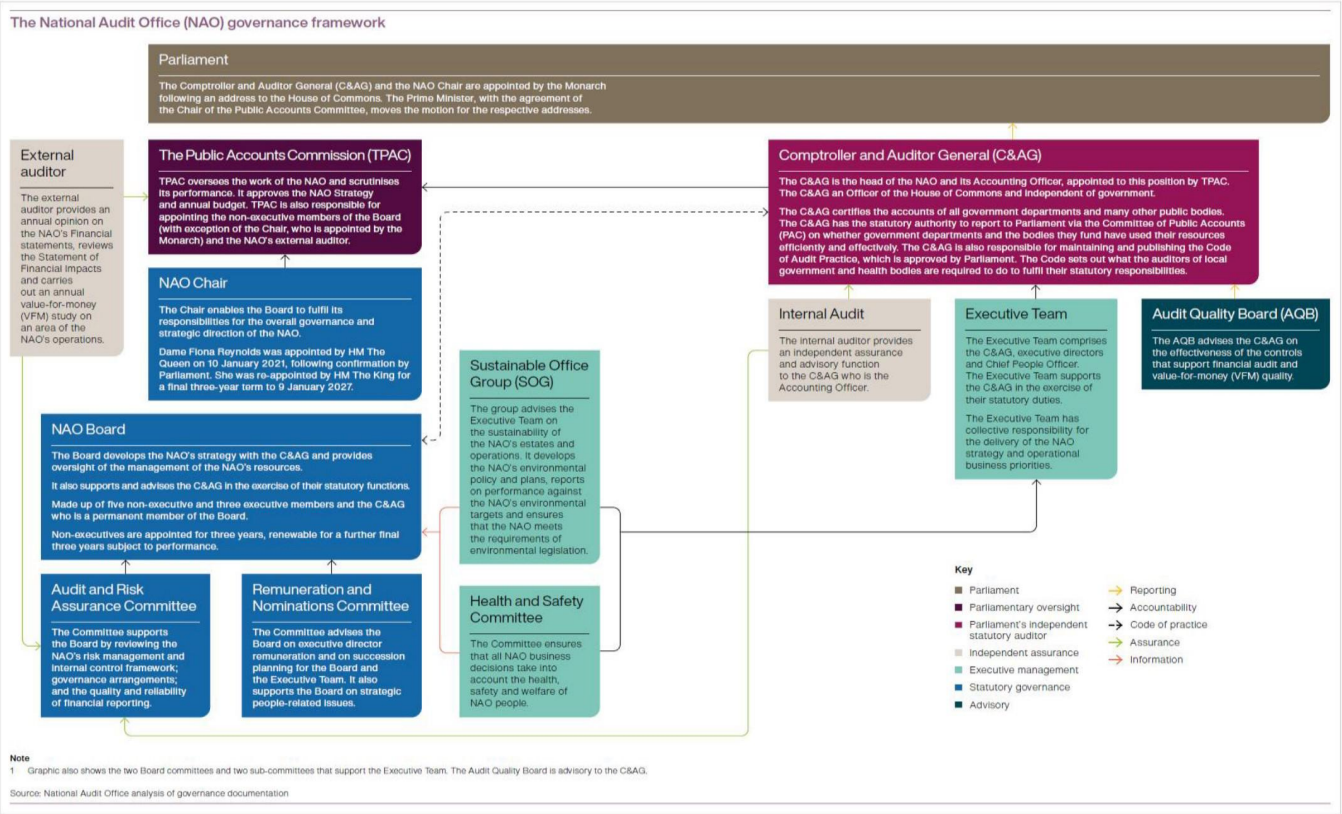
5. The majority of my commentary in this Witness Statement relates to my value for money examinations. The key steps in the examination process are illustrated in the diagram below.



6. The clearance process is a key stage in the completion of a value for money examination. This is where we work with audited entities to agree the factual accuracy of the information on which a report's conclusions and recommendations are based. It follows that readers of an NAO report can be confident it presents the facts of the matter under consideration. Crucially, it allows discussion at PAC meetings to focus on the issues raised in the report - it removes the risk of time being spent addressing challenges raised by officials on the accuracy of a report's content.

Organisational structure

7. The NAO's existing governance framework is set out in the diagram below. These arrangements are the same as those in place during the period of the pandemic.



8. The NAO Board provides oversight and advice to me in the exercise of my statutory functions. The table below identifies NAO Board members at the start of the pandemic.

NAO Board Members – January 2020			
Name	**Role**	**Date Appointed**	**Date Term Ended**
Lord (Michael) Bichard	Chair	January 2015	January 2021
Gareth Davies	C&AG	June 2019	N/A
Robert Sykes	Non-Exec Member	January 2015	December 2020
Janet Eilbeck	Non-Exec Member	October 2016	October 2022
Ray Shostak	Non-Exec Member	January 2015	December 2020

Dame Claire Tickell	Non-Exec Member	January 2018	January 2024
Daniel Lambauer	Executive Member	April 2019	Left NAO September 2024
Stephen Smith	Executive Member	April 2019	Left NAO April 2020
Max Tse	Executive Member	April 2019	March 2020

Note: NAO Executive Team members are appointed to the Board annually on a rotational basis. However, all NAO Executive Team members attend Board meetings.

9. Current NAO Board members are identified in the table below.

NAO Board Members – Current		
Name	**Role**	**Date Appointed**
Dame Fiona Reynolds	Chair	January 2021
Gareth Davies	C&AG	June 2019
Gaenor Bagley	Non-Executive Member	January 2021
Sir Martin Donnelly	Non-Executive Member	January 2021
Alistair Conner	Non-Executive Member	February 2023
Hetan Shah	Non-Executive Member	January 2024
Rebecca Sheeran	Executive Member	October 2024
Kate Mathers	Executive Member	April 2024
Catherine Hope MacLellan	Executive Member	April 2024

Note: NAO Executive Team members are appointed to the Board annually on a rotational basis. However, all NAO Executive Team members attend Board meetings.

10. The NAO was organised into six groups complemented by thematic hub specialisms and functional teams as set out in the diagram below. This is an extract from page 21 of the NAO's Annual Report and Accounts 2020-21 which is the financial year in which the NAO moved to this structure.

11. This structural change resulted from the NAO's adoption of a new strategy for the period 2020-21 to 2024-25. This identified clear strategic priorities as follows:

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

12. As the pandemic hit early in our new strategy period, we considered whether any changes were needed and concluded that both the strategy and the organisational design to deliver it were fit to enable us to respond effectively to Parliament's expectation of timely and comprehensive scrutiny of government's pandemic response.

13. The NAO's groups, hubs and functional teams are led by Executive Directors who, together with the C&AG, make up the NAO's Executive Team. Between 2020 and now, there have been some changes to the distribution between Executive Directors of the responsibilities set out above – for example, moving from six groups to five through the absorption of our international group - but these reflect operational decisions made over time rather than a response to the pandemic.

14. The table below identifies members of the NAO's Executive Team at the beginning of the pandemic.

NAO Executive Team – January 2020	
Name	**Date Joined Executive Team**
Gareth Davies (Comptroller & Auditor General)	June 2019
Daniel Lambauer (Executive Director Corporate)	April 2017 (left NAO September 2024)
Abdool Kara (Executive Director Local Services)	February 2017
Elaine Lewis (Executive Director Financial Audit)	October 2019
Kate Mathers (Executive Director Financial Audit)	April 2017
Rebecca Sheeran (Executive Director Value for Money Audit)	April 2017
Stephen Smith (Executive Director Financial Audit)	August 2015 (left NAO April 2020)
John Thorpe (Executive Director Financial Audit)	January 2014 (left NAO October 2019)

Max Tse (Executive Director Value for Money Audit)	April 2017

15. The NAO's current Executive Team is set out in the table below.

NAO Executive Team – Current	
Name	**Date Joined Executive Team**
Gareth Davies (Comptroller & Auditor General)	June 2019
Rebecca Sheeran (Chief Operating Officer)	April 2017
Abdool Kara (Executive Director Local Services)	February 2017
Kate Mathers (Executive Director Financial Audit)	April 2017
Max Tse (Executive Director Value for Money Audit)	April 2017
Catherine Hope MacLellan (Executive Director People Function)	June 2023
Laura Lucking & Verity Prime (Executive Directors Infrastructure)	February 2025

Engagement with others

16. The NAO's engagement with government departments is conducted primarily through our audit work. This engagement is in accordance with statutory powers of access that operate for most of my financial audits and for all my value for money examinations.

17. The National Audit Act 1983 established the statutory framework for value for money work. The Act specifies those bodies I can examine and provides me with wide-ranging access rights to documents and information held or under the control of those bodies. In summary, I have a right of access at all reasonable times to all such documents as I may require for carrying out an examination under the Act. I am

entitled to require from any person holding or accountable for any such document such information and explanation as are reasonably necessary for that purpose.

18. My statutory powers underpinned my examination of COVID-19 related issues, including Test, Trace and Isolate (TTI). While the NAO always aims to work constructively and cooperatively with audited bodies, my statutory responsibilities and powers as C&AG provide a clear legal framework within which to operate and which we articulate to audited bodies if needed.

19. The NAO enjoys productive relations with other Supreme Audit Institutions (SAI) and is an active member of the International Organisation of Supreme Audit Institutions (INTOSAI) and the European Organisation of Supreme Audit Institutions (EUROSAI). Our approach during the pandemic is described in the NAO's August 2020 Insight publication *Auditing COVID-19: an international perspective* GD/02 - INQ000578199. This confirms our view that our UK audit coverage of the pandemic was stronger by including global insights. NAO staff shared thinking on the pandemic in INTOSAI webinars. We also established a new EUROSAI Project Group on auditing the response to the COVID-19 pandemic, which the NAO co-chaired with SAI Finland. As part of this, SAIs from 30 European countries agreed to coordinate and communicate COVID-19 work; share audit approaches, information and outputs; and scope content for any future lessons learned reports. In June and July 2020, we co-hosted eight online meetings where 30 SAIs set out the impact of COVID-19, their audit response, and what they wanted to share and learn. We drew on this engagement, and further information exchanges on specific topics, in our own reports to Parliament.

20. The NAO has ongoing contact with the UK's devolved audit bodies to help inform and assist the effective pursuance of respective audit responsibilities in accordance with each body's statutory remit. The Public Audit Forum was established in 1998 and brings together all the UK's public audit organisations to provide a focus for developmental thinking about public audit. During the COVID-19 pandemic we convened a small group of representatives to discuss our respective programs of work to identify common areas of interest and to take opportunities to share experiences and methodologies. This included sharing approaches to auditing the

procurement of Personal Protective Equipment as well as a range of other areas of high public spending during the pandemic.

21. More broadly, the NAO has ongoing engagement with a wide range of other entities such as parliamentary committees, public bodies, international organisations and professional institutes. While the nature of such engagement varies depending on its purpose, the NAO is always careful to ensure that its relations with others do not create actual or perceived conflicts that could serve to undermine the NAO's or C&AG's independent status.

NAO's work on TTI

22. I have statutory discretion over the value for money examinations I choose to undertake. This not only helps to ensure my independent status but means that the NAO can operate flexibly and adjust to events that require audit scrutiny. This was especially important in the face of the COVID-19 pandemic where we quickly pivoted our work programme to provide a strong focus on government's response. This flexibility, together with the rapid adoption of remote working arrangements and the NAO's deep experience of examining government policy implementation, meant we were well placed to provide timely scrutiny of government's responses to the COVID-19 pandemic within our prevailing organisational structure and budget.

23. Within a broad suite of COVID-19 related work, the following outputs had a clear focus on TTI. These are identified below, together with the names of the NAO Directors who led each examination:

- Readying the NHS and adult social care in England for COVID-19 (June 2020) – Aileen Murphie (no longer working at the NAO) and Tim Phillips (currently on a career break) – **GD/03 - INQ000578190**

- The government's approach to test & trace in England – interim report (December 2020) – Robert White (no longer working at the NAO) and Tim Phillips (currently on a career break) – **GD/04 - INQ000510827**

- Test & Trace in England – progress update (June2021) - Robert White (no longer working at the NAO) – **GD/05 - INQ000287601**

- Investigation into government's contracts with Randox Laboratories Ltd (March 2022) – Lee Summerfield – **GD/06 -**

24. The report *Readying the NHS and adult social care in England for COVID-19* was published in June 2020. Among a wide range of pandemic-related topics, it looked at the early (pre-NHS Test & Trace) approaches to testing for COVID-19. This included testing for entry into care homes and testing for NHS staff. We held discussions during the audit with officials from the Department for Health & Social Care (DHSC), NHS England & Improvement, Public Health England, the Medicines and Healthcare Products Regulatory Agency, NHS Digital, Ministry of Housing, Communities and Local Government (MHCLG), and the Care Quality Commission. The report's purpose was to establish and publicise facts rather than to evaluate government's performance.

25. *The government's approach to test & trace in England – interim report was published* in December 2020. It was informed through engagement with DHSC, NHS Test & Trace, NHS England & Improvement, the Local Government Association, and the Association of Directors of Public Health. We also engaged with Dr Adam Briggs, the Health Foundation's Senior Policy Fellow at the time.

26. Overall, the report found that NHS Test & Trace achieved a rapid scale-up of activity from May 2020, but was not meeting all its objectives. In particular, it was using much less than its maximum testing capacity, suggesting either missed opportunities or a lack of flexibility in its capacity, and it did not have a clear strategy for how national and local tracing teams should work together. There were clear problems with translating positive test results into self-isolation by members of the public. NHS Test & Trace's accountabilities within government were confused and unclear.

27. The report *Test & Trace in England – progress update* was published in June 2021. We held discussions during the audit with DHSC, NHS Test & Trace, NHS England & Improvement, NHS Digital, the Department for Education, HM Treasury, the

Cabinet Office, and the Department for Business, Energy & Industrial Strategy. We also met with a wide range of external stakeholders, as set out in the report at paragraph 5 of Appendix 2.

28. Overall, the report found that NHS Test & Trace and its partners were not succeeding in getting infected individuals and their contacts to isolate within the recommended 48 hours. There was also evidence that many members of the public had ceased to approach NHS Test & Trace when they had COVID-19 symptoms. The organisation was still heavily reliant on consultants at the time of this audit, and it had posted a large underspend of 39% against its 2020-21 budget.

29. The report *Investigation into the government's contracts with Randox Laboratories Ltd* was published in March 2022. This report noted that the overriding need to create a high volume testing capacity rapidly at the start of the COVID-19 pandemic meant that standard public procurement approaches were not appropriate. However, even taking these exceptional circumstances into account, the documentation of the decision-making process for such large contracts was inadequate. Appendix One of the report sets out how we engaged with DHSC, UK Health Security Agency and the Cabinet Office, and the information we requested and reviewed during our investigation into government contracts awarded to Randox for Polymerase Chain Reaction (PCR) testing.

30. *The government's approach to test & trace in England – interim report* included some information about other countries' approaches. See, in particular, paragraphs 9 and 1.10 and Figure 1. There were a range of approaches that countries had used to increase test and trace capacity. As in the UK, other countries had problems which came and went at different times, making certain approaches look successful for a time and then less successful at other times. Other countries were working from different bases in terms of local (public) health infrastructures. England was unusual in outsourcing tracing to the private sector.

31. *The government's approach to test & trace in England – interim report also included* information on the UK's infrastructure capacity and how it changed over time. This information can be found within the report as follows:

- paragraphs 1.2-1.9 for an overview.
- paragraphs 2.11-2.13 and Figure 13 for how testing capacity was increased during the pandemic.
- paragraphs 3.2-3.4 for how tracing approaches and capacity changed from the start of the pandemic onwards.
- paragraphs 3.26-3.27 and Figure 13 for the change between Public Health England testing capacity in May 2020 and NHS Test & Trace testing capacity in October 2020.

32. In *Test & Trace in England – progress update* we took the story forward into 2021, including the introduction of Lateral Flow Device testing and the period when local authorities' role in tracing was increased (paragraphs 7-20). NHS Test & Trace had long-term plans for the laboratory infrastructure it had established, but we said that it was unclear how it planned to deliver those benefits (paragraphs 21, 4.17 and 4.18). Drawing on this, our *Investigation into the government's contracts with Randox Laboratories Ltd* briefly discusses the background of testing infrastructure in the early stages of the pandemic (see paragraphs 1.7 & 1.8). Figure 7 of the report sets out the expansion in TTI capacity provided specifically by Randox Laboratories Ltd.

33. Our reports were produced using my statutory access powers under the National Audit Act 1983. Instances where we encountered a weak audit trail or a lack of documentation are detailed in the reports themselves. More generally however, we were able to access the data we requested during these audits which covered a range of issues including data on test and trace activity, capacity, utilisation, performance, effectiveness, budget and spend, staffing levels (including consultants), and contracts. Our reports included recommendations to government, but beyond this we did not provide advice to government on TTI related issues.

34. We made general recommendations about the approach to TTI related modelling, but not specific suggestions, which was rightly the domain of bodies like SAGE or NHS Test & Trace's own operational planners. Modelling-related recommendations in *The government's approach to test & trace in England – interim report* were that NHS Test & Trace should:

- plan against a range of plausible outcomes to ensure it has flexibility to respond to predictable and unexpected spikes in testing demand; and

- model and communicate as early as possible how changes in testing policy are likely to affect the workload of national and local tracing services.

35. *The government's approach to test & trace in England – interim report, addressed* NHS Test &Trace's approach to equalities issues in paragraphs 2.6 and 2.7 (for testing) and paragraph. 3.7 for tracing (where we couldn't see that it had done a comprehensive equalities assessment). Paragraph 1.27 indicates that discussion of diversity matters was not a big focus for the NHS Test & Trace executive in its early days.

36. In *Test & Trace in England – progress update*, we discussed equalities issues at paragraphs 18 and 3.29-3.32. Our work indicated NHS Test & Trace had taken some steps to address diversity but had still done limited analysis of its data to look for inequalities.

37. Our report *Investigation into the housing of rough sleepers during the COVID-19 pandemic* (January 2021) GD/07 - INQ000137167 focused on the impact of COVID-19 on this vulnerable group. Rough sleepers typically experience poorer health than the rest of the population and are especially vulnerable to respiratory illnesses. Those at risk of rough sleeping may also occasionally sleep in communal shelters, where they cannot self-isolate if they have symptoms of COVID-19. On 26 March 2020, MHCLG launched its 'Everyone In' campaign, asking local authorities to immediately house rough sleepers and those at risk of rough sleeping to protect their health and stop wider transmission of COVID-19. The Department worked intensively with local authorities, homelessness charities and hotel chains. By mid-April 2020, 5,400 people had been made an offer of emergency accommodation and by the end of November, over 33,000 people had been helped through Everyone In. A total of 23,273 people had been supported to move into the private rental sector or another form of settled accommodation, and 9,866 people remained in hotels and other

emergency accommodation. Academic research suggested that Everyone In may have avoided more than 20,000 infections and 266 deaths overall.

38. Our report *Overview of the UK government's response to the COVID-19 pandemic* (May 2020) GD/08 - INQ000237520 includes a timeline at Appendix 2, Figure 8 of key events related to government's pandemic response between 31 January to 29 April 2020. Drawing on this, I have summarised TTI related events below:

TTI related events between 31 January to 29 April 2020	
Date	**Event**
10 February	Testing kit developed and rolled out
22 February	Arrowe Park Hospital becomes isolation facility for returning UK travellers
4 April	New 5-pillar plan to increase testing launched
8 April	Testing of all symptomatic NHS and social care staff
9 April	UK's largest diagnostic lab network becomes operational
15 April	Launch of Adult Social Care Plan and commitment to expand testing to all symptomatic social care residents
17 April	Testing eligibility extended to the police, fire service, judiciary and others
23 April	Testing eligibility extended to all essential workers and digital portal opened
28 April	Testing eligibility extended to those who cannot work from home and over 65s and announcement of rolling out testing of asymptomatic residents and staff in care homes in England and of patients and staff in the NHS

NAO COVID-19 cost tracker

39. The NAO developed a COVID-19 cost tracker with the aim of providing an estimated lifetime cost and the amount spent to date, periodically updated, for each measure (a separately identifiable programme, initiative or other intervention) implemented across central government in response to the pandemic. The final version of the cost tracker was published in September 2022 as an interactive visualisation on the NAO's website and included data to the end of June 2022.

40. To keep the cost tracker to a manageable size, to support frequent updates, and to keep the scale of requests to departments for live financial data reasonable, we presented cost and spend data at the highest appropriate level for each measure. Therefore, for some large or costly initiatives that may have involved many sub-projects, we presented single cost and spend estimates and did not request more detailed information from departments. Consistent with this, the cost tracker presented the estimated cost and actual spend on the Test and Trace programme as a whole and we did not receive a more detailed breakdown of costs. Also, we did not undertake any work to compare cost and spend data in the NAO COVID-19 cost tracker with that of other countries.

41. Estimated cost data was provided by government and was based on estimates from 21 government departments, the Bank of England, and the Office for Budget Responsibility. Estimated costs include central government's allocation of funding to the following:
    - government departments and their associated organisations
    - local authorities in England
    - the devolved administrations of Scotland, Wales and Northern Ireland

    The data does not include further spending decisions taken by local authorities and the devolved administrations.

42. Estimated spend data was provided by government and represents the amount central government has spent on COVID-19 response measures, where measures had already been implemented and data were available. The figures reflect government and Bank of England spend informed by their management information. For the purposes of the cost-tracker, expenditure means that funds have left the department responsible for them. The funds may have gone to an individual, a private sector body or another public sector organisation.

43. Not all measures had finished at the time we last published the NAO cost tracker in September 2022, and HM Treasury agreed to publish updated information for continuing measures. HM Treasury published an update in July 2023 (*HM Treasury: 2023 COVID-19 Cost Tracker update*). HM Treasury's *Whole of Government*

Accounts for the year ended 31 March 2023 also included an update and commentary regarding the cost tracker (beginning at paragraph 1.221).

44. I have set out key points about the methodology used to develop the cost tracker below:

- identification of measures to include in the cost tracker – these were identified primarily from government announcements related to COVID-19. These included announcements made as part of the Budget in March 2020, the Summer Economic Update in July 2020, the November 2020 Spending Review and the Budget in March 2021, the Autumn Budget and Spending Review 2021, and the Spring Statement 2022. We became aware of further measures through work as part of our normal statutory function as the external auditor of central government, and other measures were notified to us by departments. We did not apply a minimum value threshold. All relevant measures are included, whatever their estimated cost. We also included measures for which the government did not provide a cost estimate.

- gross costs – the cost tracker aims to show the estimated gross costs of policy interventions, not the estimated additional cost to the government (that is, how much additional funding departments and devolved administrations needed, over and above their existing levels of funding). Where there are exceptions to this, these are explained in the cost tracker.

- collecting and verifying data - for each relevant measure we collated information relating to its estimated cost and spend where this was publicly available or held by us as part of our normal statutory audit function. We then asked departments to provide any missing data and to confirm the accuracy of all data we held that related to them.

  Where we were provided with the information, we included the latest estimate of how much each measure was expected to cost and how much had been spent so far. Since the May 2021 version of the cost tracker, we included the additional costs that departments incurred as a result of operating under COVID-19-related restrictions or while delivering COVID-19 policy measures. These included –

increases in staff numbers (for example new COVID-19 teams, redeploying existing staff to the COVID-19 response or hiring additional call centre staff); overtime claims or changes to shift working; increases in staff expenses, such as working-from-home allowances; IT and home-office furniture costs to support staff working from home, or new IT implementation for COVID-19 measures.

Where possible, we have presented these costs as a single item for a department. As with data on policy interventions, not all departments were able to give us complete and detailed information on their operating costs. In some cases, operating expenditure may also be captured within wider departmental funding packages. Therefore, the data on operational expenditure are not directly comparable across departments.

45. The cost tracker has a number of limitations:

- data verification – to allow publication of financial data in a timely way, we have not audited the data. We published data provided to us by departments.

- data completeness - we aimed to ensure that the list of measures was as complete as possible. However, not all expenditure was identified. Not all departments could provide us with all the information we requested, for example where spend data was not available or spend against an announced measure had not commenced. In some cases this required us to roll-forward cost and spend estimates in the cost tracker. Certain measures were implemented where the cost implications were unclear, for example, releasing local authorities from the requirement to fully assess people who have care needs.

- data precision:
    - the use of "measures" to categorise spend is not a strictly defined classification or a synonym for policies. Data provided by departments for different measures were rounded with different levels of precision. For some groups of measures, we were provided with a combined estimated cost only, rather than estimates for individual measures. In these cases, we published the combined cost for each group of measures. For some

measures, central cost estimates were unknown, and we stated the upper or lower limits of costs as estimated by departments at the time.

- departments' cost and spend estimates were dependent on a range of uncertain factors - for example, the impact of the pandemic on the wider economy and the level of take-up for each scheme.

- comparability - it is not possible, in all cases, to reconcile the cost tracker with government cost estimates published by HM Treasury or the Office for Budget Responsibility. This is a result of timing differences, and variation in the methodological approach taken to calculate figures.

46. In the final version of the NAO cost tracker published in September 2022, which included data to the end of June 2022, we reported an estimated lifetime cost for the NHS Test and Trace programme of £29,323 million, with £25,671 million spent at that point. In HM Treasury's July 2023 update, including data as at June 2023, the estimated lifetime cost had fallen to £28,331 million and the full amount was reported as having been spent.

Qualification of DHSC and UKHSA annual accounts

47. Given the significant amounts of public money spent by DHSC in response to COVID-19, and the heightened risk environment in the purchase of COVID-19 related inventory (including Test and Trace) and other COVID-19 related expenditure, I recognised a significant risk of material misstatement in my financial audit of DHSC's annual accounts in both 2020-21 and 2021-22 for this area.

48. My financial audit of DHSCs annual accounts for 2020-21 and 2021-22 resulted in qualified audit opinions in relation to the items purchased in relation to Test and Trace (which included Lateral Flow Tests) in response to the pandemic. I qualified my audit opinion for these years because DHSC did not undertake adequate stock takes at the year-end for either 2020-21 or 2021-22 and DHSC was therefore unable to provide sufficient, appropriate audit evidence to support the £3.3 billion of Test and Trace items used in 2020-21 and £7.2 billion in 2021-22, and £2.1 billion of Test

and Trace items still held in stock by DHSC at 31 March 2021 (31 March 2022 £0.3 billion).

49. As well as providing an opinion on whether the annual accounts are 'true and fair', I also provide an opinion on whether transactions are 'regular', i.e. whether money has been spent in line with Parliament's intentions. Fraud losses arising are always irregular. In 2020-21, I qualified my opinion on the DHSC annual accounts regarding the regularity of expenditure in respect of the risk of losses arising from fraud. The level of fraud risk increased as a result of COVID-19 related procurement. Due to limitations in records held by DHSC to support the existence and condition of COVID-19 related inventory held and associated transactions I was unable to perform sufficient procedures to conclude that the overall level of losses, including those areas usually at risk of fraud such as prescription fraud, were not material.

50. In October 2021, Test and Trace transferred from DHSC to UKHSA. My financial audit of UKHSA's annual accounts for 2021-22 and 2022-23 resulted in disclaimed audit opinions which, in turn, fed into the qualification of DHSC's annual accounts in both financial years. These qualified audit opinions arose because UKHSA was unable to provide sufficient, appropriate audit evidence to support total net expenditure in 2022-23 of £3.2 billion (2021-22 £9 billion) and total assets less liabilities of £1.7 billion (2021-22 £0.4 billion). This meant that it was possible that the impact of undetected misstatements and irregularities was both material and pervasive to the UKHSA's financial statements.

Lessons learned

51. Our Covid related outputs include numerous conclusions and recommendations setting out where government could do things differently if faced with a future crisis of similar magnitude. The Insight publication *Initial learning from the government's response to the COVID-19 pandemic* (May 2021) GD/09 - INQ000075371 brings together NAO insights from across its COVID-19 related outputs up to that date. It includes the following TTI specific observations:

    - Paragraph 16:

- *Despite government advertising and communications relating to NHS Test and Trace, reported levels of non-compliance with self-isolation requirements were high.*

- Paragraph 20:
  - *NHST&T publishes a large volume of data every week which helps understand the progress of COVID-19 and tracing performance (Figure 4). However, local authorities did not initially have access to all the NHST&T data they needed to deliver their local pandemic response.*

Figure 4
Estimated number of people in England infected with COVID-19, receiving positive tests, transferred to the tracing service and reached by NHS Test and Trace

Note
1 Data relate to the period from 28 May 2020 to 4 November 2020.

Source: Comptroller and Auditor General, *The government's approach to test and trace in England – interim report*

- Paragraph 25:
  - *The staff utilisation rate for contact tracers fell to under 1% in August 2020. NHST&T was initially unable to reduce staffing levels to meet its target utilisation rate of 50% due to lack of flexibility in contracts. The utilisation rate then rose, ranging between 10% and 56% in October 2020.*

- *NHST&T did not predict the scale of increased demand for COVID-19 testing in September 2020, when schools and universities reopened, and could not satisfy the demand for tests until mid-September 2020.*

- Paragraph 30:
  - *NHST&T initially had an unusual organisational relationship with the Department of Health & Social Care (DHSC). Although NHST&T was subject to DHSC's financial, information and staffing controls, its head, the executive chair, did not report to the DHSC's ministers or permanent secretary, but rather to the Prime Minister and the Cabinet Secretary. Since NHST&T is embedded within DHSC, these dual reporting lines brought risks of unclear accountability. We did not undertake a systematic review to determine if these risks had materialised and had seen no evidence that they had.*

- Paragraph 33:
  - *In May 2020, the government launched NHST&T, bringing together a national programme for testing and tracing. By July 2020, local authorities had started to set up their own locally run contact tracing schemes to cover the minority of cases that the national service could not reach, working in conjunction with NHST&T. In August, NHST&T reduced the number of national-level contact tracers and designated a proportion of its specialist tracing staff to work exclusively to facilitate those local authorities that had their own scheme. By the end of October, 40% (60) of local authorities had a scheme in place, with a further 46% (69) planning to set one up.*

52. More broadly, the *Initial Learnings* report recognises that the COVID-19 pandemic stress-tested government's ability to deal with unforeseen events and potential shocks. Government often had to act at unprecedented speed to respond to a virus which caused dramatic disruption to people's lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government had to streamline

decision-making, work across departments and public bodies and use a range of delivery structures. My report acknowledges the unique challenges that COVID-19 posed, while inviting government to reflect on the lessons learned to ensure it can capitalise on the benefits and opportunities offered by these new ways of working. I have reproduced the summary of learning presented in the report below.

Risk management

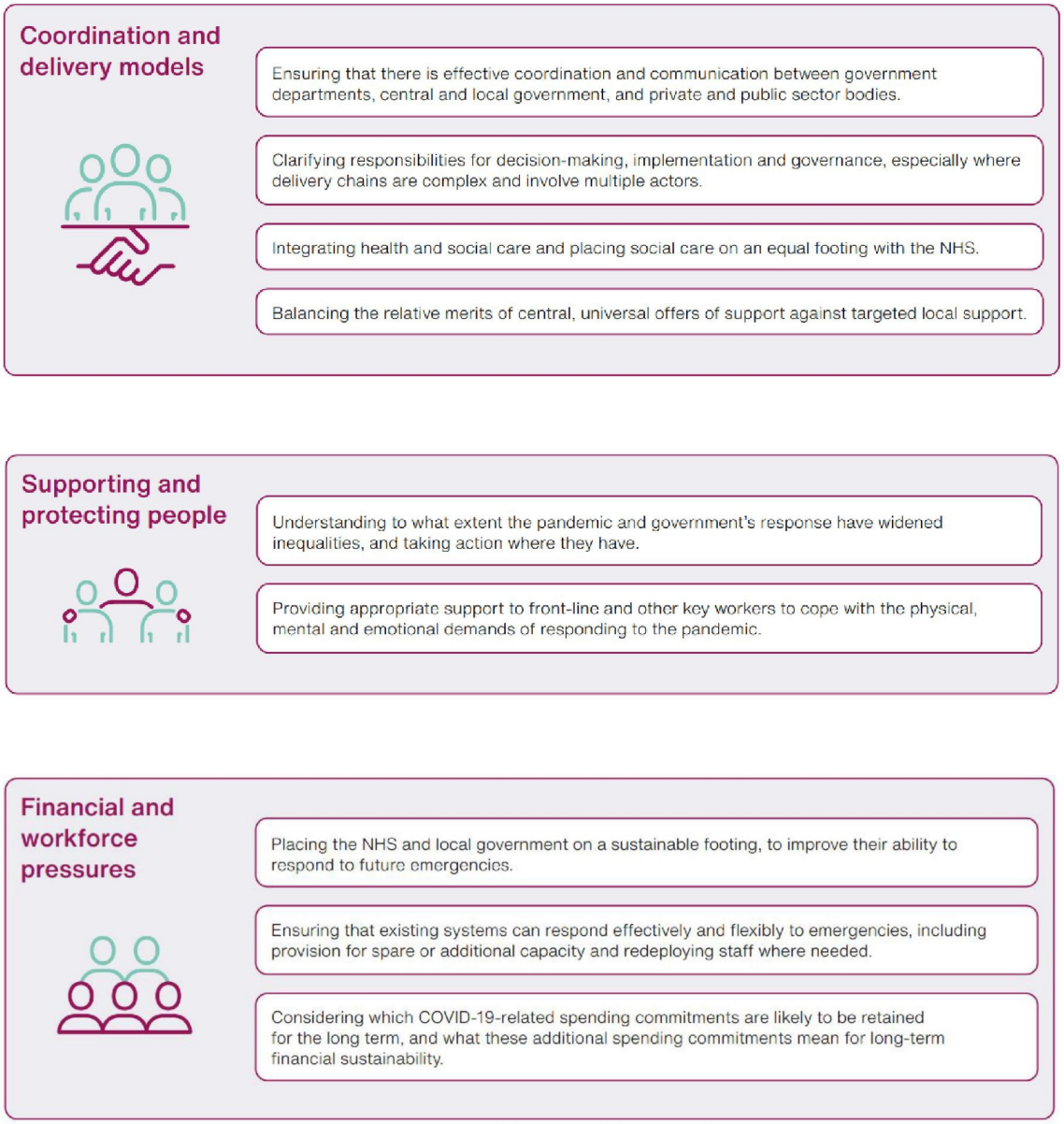
- Identifying the wide-ranging consequences of major emergencies and developing playbooks for the most significant impacts.
- Being clear about risk appetite and risk tolerance as the basis for choosing which trade-offs should be made in emergencies.

Transparency and public trust

- Being clear and transparent about what government is trying to achieve, so that it can assess whether it is making a difference.
- Meeting transparency requirements and providing clear documentation to support decision-making, with transparency being used as a control when other measures, such as competition, are not in place.
- Producing clear and timely communications.

Data and evidence

- Improving the accuracy, completeness and interoperability of key datasets and sharing them promptly across delivery chains.
- Monitoring how programmes are operating, forecasting changes in demand as far as possible, and tackling issues arising from rapid implementation or changes in demand.
- Gathering information from end-users and front-line staff more systematically to test the effectiveness of programmes and undertake corrective action when required.



53. The NAO is constantly looking to develop and improve as an organisation. This growth mindset is embodied in our public expression of culture and values which confirm that we strive for excellence and are curious and seek to learn. We have recently published our new strategy for 2025-2030 **GD/10 - INQ000578221**. This draws on the entirety of our experiences and learning during our previous five-year strategy including the insights we gained from our COVID-19 related work.

54. Our new strategy articulates our ambition to increase our impact on the productivity and resilience of public services and the quality of financial management and reporting in government. To help us meet this ambition we have identified priority areas for improvement:

- Influence – work well with all our stakeholders, making the most of our opportunities to influence improvement.

- Quality – apply our sectoral, technical and subject-matter expertise to achieve the highest professional standards.

55. I am also mindful of the need for public audit to encourage innovation and well managed risk taking rather than being perceived as encouraging risk aversion. While we will continue to call out poor practice we must also ensure that our work takes proper account of government's risk appetite when implementing policy, including in new and innovative ways. As I highlighted in my annual speech to Parliament earlier this year, we will be bringing an increased focus on this important consideration going forward.

Statement of Truth

In preparing this witness statement I have made best endeavors to identify and summarise relevant material for the purposes of the Inquiry's Module 7 Rule 9 request. It perhaps goes without saying that a more complete picture can be obtained by reading the full reports exhibited alongside this statement.

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Signed: **PD**

Dated: ___5 June 2025_____