



National Audit Office

# Annual Report and Accounts 2024-25



June 2025  
HC 905

If you need a version of this report in an alternative format for accessibility reasons, or any of the figures in a different format, contact the NAO at [enquiries@nao.org.uk](mailto:enquiries@nao.org.uk)

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

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Tel: 020 7798 7400

Contact: [www.nao.org.uk/contact-us](http://www.nao.org.uk/contact-us)

# Annual Report and Accounts 2024-25

Report by the Comptroller and Auditor General  
Ordered by the House of Commons to be printed on 30 June 2025

This report is presented to the House of Commons pursuant to Paragraph 25(8) of Schedule 2 and Paragraph 9(3) of Schedule 3 to the Budget Responsibility and National Audit Act 2011

Gareth Davies, Comptroller and Auditor General  
National Audit Office

24 June 2025

HC 905 | £10.00

---

**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) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent. In 2024, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £5.3 billion.

# Contents

<b>National Audit Office at a glance</b>	<b>4</b>
<b>Performance report</b>	<b>7</b>
<b>Performance overview</b>	<b>8</b>
Chair's statement	9
Comptroller and Auditor General's statement	11
About the National Audit Office	14
Our progress in 2024-25	16
Our new strategy 2025-2030	23
<b>Performance analysis</b>	<b>25</b>
<b>Supporting effective accountability and scrutiny</b>	<b>26</b>
Comprehensive, relevant and timely audit programme	26
Financial audit quality	28
Support for Parliament	39
<b>Providing accessible insights that lead to better outcomes and value for money</b>	<b>41</b>
Engaging with audited bodies	42
Engaging more widely	44
Using our recommendations and insights to achieve impact	48
Our financial impact	48
<b>Developing our people, digital technology and data capabilities</b>	<b>51</b>
Attracting, retaining and developing high-quality people	51
Using digital technology and data effectively	56
<b>Working productively and with resilience</b>	<b>58</b>
Effective use of resources	58
Increasing our climate resilience and reducing our environmental impact	60
Financial performance	69
<b>Accountability report</b>	<b>75</b>
<b>Corporate governance report</b>	<b>77</b>
Directors' report	77
Governance statement	80

<b>Remuneration and staff report</b>	<b>108</b>
Remuneration policy for senior management	108
Pension arrangements (including audited cash equivalent transfer value figures)	111
Fair pay (audited)	114
NAO staff remuneration policy	116
Staff numbers and related costs (audited)	116
Staff turnover	118
NAO staff pension arrangements	119
Exit packages (audited)	121
Off-payroll engagements	122
Expenditure on consultancy	124
Diversity and inclusion	124
<b>Parliamentary accountability and audit report</b>	<b>126</b>
Statement of Outturn against Parliamentary Supply	126
Notes to the Statement of Outturn against Parliamentary Supply	130
Fees and charges (audited)	133
Losses and special payments (audited)	135
Regularity of expenditure (audited)	135
<b>Independent Auditor's Certificate and Report to the House of Commons</b>	<b>136</b>
<b>Financial statements</b>	<b>143</b>
Notes to the Financial statements	148
<b>Financial impacts</b>	<b>181</b>
Statement of National Audit Office financial impacts	182
Independent statement to the Public Accounts Commission	188
<b>Annex</b>	<b>190</b>
Sustainability data	191







# National Audit Office at a glance

We are the UK's public spending watchdog and are independent of government and the civil service.



We verify whether public money is properly accounted for and assess whether public spending provides good value for money.



We certified **414 accounts** in 2024-25.

**60**



We published **60** value-for-money and wider assurance reports in 2024-25.

Some two-thirds of our people are qualified or training to be Chartered Accountants, with many other colleagues specialists in their field (for instance, data science, risk management, commercial and digital).



We play an essential role in our democracy by helping Parliament, the media and the public to hold government to account.



Government uses our work to improve its efficiency and effectiveness.

**37**



We supported **37** sessions of Parliament's Committee of Public Accounts, usually twice a week when Parliament was sitting.

We published **22 Overviews**

on government departments to assist Parliamentary select committees in their work following the 2024 General Election.

We have just over **1,000**



colleagues based in our London and Newcastle offices.



Our net operating cost is around **£100 million** per year.



We delivered **eight** good practice guides and **seven** lessons learned reports, addressing cross-government challenges.

**93%**



**93%** of our recommendations to government were accepted or partially accepted.

**£53**



Our work generated financial impacts of **£53** for every £1 we spent in 2024.





157-197  
BUCKINGHAM PALACE ROAD

# 01

---

## Performance report



---

# Performance overview

---

**This overview describes who we are and what we do, our values and strategy and summarises our performance in 2024-25. It begins with statements from Dame Fiona Reynolds, Chair of the National Audit Office (NAO) Board, and from Gareth Davies, the Comptroller and Auditor General (C&AG) and Head of the NAO.**

---



## Chair's statement



**Dame Fiona Reynolds**

**This report covers the final year of our first five-year strategy, and I am proud to introduce it on behalf of the Board. At the same time, our new Strategy for 2025–2030 has been launched, perfectly timed and oriented to meet the challenges and opportunities the government is facing, and when our work and impact could not be more important to the nation.**

So, in this message I will be both looking back and looking forward, focusing on the watchword of my time as Chair of the NAO Board: impact.

The output of the NAO over the last five years is impressive by any measure. Audits of all central government expenditure are central to what we do, and we achieved that even during the pandemic, though there is more to do to complete and sign off more audits before the summer Parliamentary recess. Our investment in improving audit quality is beginning to show rewards, giving us confidence that we can harness modern technology to expedite audits and deliver a consistently high-quality product.

In five years, we have produced over 300 value-for-money and wider assurance reports, an impressive number. These have commanded many thousands of column inches and – more importantly – shown successive governments how things can be done better. Our impact has been sharpened by drawing together the cumulative lessons from our work in the C&AG's annual speech to Parliament. In 2024, Gareth Davies highlighted the billions of pounds that could be saved if the government implemented our consistent messages around better procurement, project management, investing in public assets, and reducing fraud. His 2025 speech emphasised the vital importance of improving productivity and building resilience to underpin the effective use of public money, and how innovation needs to be embedded across government. These messages are leading to increasingly strategic discussions within government about how to apply the lessons from our work, including through the new Office for Value for Money, with whom we are pleased to liaise.



A line in the sand this year was our disclaimed opinion on the 2022-23 Whole of Government accounts due to missing and unaudited local government accounts. We are very pleased that the new government is committed to setting up a new body, the Local Audit Office, to streamline and simplify current arrangements, improve oversight and ensure no repeat of the current backlog in local government audit.

Our new strategy is even more ambitious than the last, shifting our emphasis from **what** we do to **why** we do it, focusing on the outcomes we want our work to lead to: more productive and resilient public services, and better financial management and reporting in government. We want to build greater trust and confidence that public money is spent well and delivers what is intended. We will continue to invest in improving quality and will build our capability to influence, so our work achieves more impact. Underpinning these goals are the importance of our people and enhancing our use of digital tools and data. We will highlight innovation (both good and bad examples) in all our reports and we will be innovative ourselves by applying new technology and improving our own productivity.

We know, perhaps better than most, the enormous pressures on public services and the many challenges the government faces. But we are determined to play our part in helping to find solutions, and we believe we can do that even more effectively by aligning our activity to have greater impact on these longer-term goals.

This year we bade farewell, and thank you, to Daniel Lambauer, who had been a member of our Executive Team since 2017. This led to a shuffle of portfolios, and we welcomed the job-share partnership of Verity Prime and Laura Lucking to the Executive Team. I give my warm thanks to Gareth and his senior team for their leadership and sterling work over another year, and all the staff of the NAO without whom we could achieve nothing.

I also thank my fellow non-Executives on the Board: Gaenor Bagley, Alistair Conner, Martin Donnelly and Hetan Shah. We have been deeply engaged in the strategy review and we all look forward to the challenges and opportunities it presents. So, we conclude our first five-year strategy with pride, and embark on our second with strong and renewed determination to achieve the difference we are uniquely placed to make.

**Dame Fiona Reynolds, Chair**

## Comptroller and Auditor General's statement



Gareth Davies

**2024-25 was a pivotal year for the National Audit Office. We completed the investments made under our 2020–2025 strategy, giving us a modern audit methodology and software platform, and a set of expert Insights teams providing subject-matter credibility. We saw the benefits of these investments in a strong set of audit quality results and impactful reports on the value for money of government spending. We supported the new Parliament, the Committee of Public Accounts and the departmental select committees with timely and relevant briefing and reports. And we developed and launched our new strategy to 2030, setting us up to maximise our impact on more productive and resilient public services, and better financial management and reporting in government.**

In my statement on last year's Performance report, I said that audit quality was the top priority for me, the NAO Board and the whole organisation. I am pleased to be able to report that 100% of our 2023-24 audits inspected by the Financial Reporting Council met our performance standard, compared with 43% in the previous year. This is our best performance on this important measure of audit quality since these inspections began. The encouraging progress is the result of the hard work of our teams and of several years' investment in our methodology, new audit software platform, learning and development, specialist expertise and a system of quality management. We are focusing on ensuring that our system of quality management is fully embedded so that we maintain this much improved performance.

Alongside improved technical quality, we are also focused on the timeliness of the audited annual reports and accounts of government departments and public bodies. Parliament expects government departments and most public bodies to publish their audited accounts by the summer recess each year. The recent recovery from the disruption to timetables caused by the pandemic was temporarily affected by the timing of the 2024 General Election, with 55% of the accounts audited by the NAO certified by the 2024 summer recess. Our ambition this year is for 70% of accounts to be certified before the summer recess.

In November 2024, I disclaimed my audit opinion on the Whole of Government Accounts for 2022-23, the first time this has been necessary. The reason was the lack of audited financial information for English local authorities, with only 10% submitting audited figures for the year in question. The government has acted to tackle this unacceptable situation, setting backstop dates by which councils and their auditors must complete and publish accounts. This is the first step in restoring timely and robust audits of local authority finances, a basic requirement of accountability to local taxpayers.

Our 2024-25 programme of 60 value-for-money (VFM) reports in support of the Committee of Public Accounts covered significant areas of public spending, including support for children and young people with special educational needs, NHS elective healthcare and the cost of the tax system. I was encouraged to see the large number of VFM reports for which our recommendations contributed to measurable positive financial impacts. The total as set out in this Annual Report is nearly £5.3 billion, or 53 times the net cost of the NAO, greatly exceeding our annual target of 10 times. Whilst we cannot expect this level of achievement every year, we will continue to identify opportunities to release resource for government's priorities.

To maximise the practical improvement value of our work, we continued to publish lessons learned reports and good practice guides, sharing insights on topics such as the use of private finance in infrastructure projects, tackling fraud and error, and government compensation schemes.

In February 2025, I drew on the NAO's work to deliver my annual speech in Parliament, focusing this year on the importance of innovation in driving productivity and resilience in public services. This theme is central to our new five-year strategy: Trust, Value, Impact. In delivering our statutory remit to audit government accounts and assess the value for money of public spending, we will focus our efforts on helping improve the productivity and resilience of public services and the standard of financial management and reporting in government.

Our achievements in 2024-25 were only possible because of the commitment and professionalism of the NAO's dedicated staff and the leadership of our directors and executive team members. I would like to thank our Chair, Dame Fiona Reynolds, and our non-executive board members whose support and challenge has played an important role in our continuing improvement. I am also grateful for the consistent engagement and support from the Chairs and members of the Committee of Public Accounts and the Public Accounts Commission.

The NAO plays a vital role in our democracy, helping Parliament hold government to account for public spending and supporting improvement in value for money. We are determined to play this role with maximum impact for the benefit of taxpayers and service users.

**Gareth Davies,**  
**Comptroller and Auditor General**





# About the National Audit Office

## Who we are and what we do

- 1.1** The National Audit Office (NAO) is the UK's independent public spending watchdog. Our work supports Parliament in holding the government to account and helps improve public services. The Public Accounts Commission (TPAC), a statutory committee of Members of Parliament (MPs), oversees our work. We are independent of the bodies we audit in government and the civil service (**Figure 1**).

## The Comptroller and Auditor General (C&AG)

- 1.2** The C&AG, Gareth Davies, leads the NAO. He is an officer of the House of Commons with statutory authority to:
- audit and report on the financial accounts of all government departments and many other public bodies; and
  - examine and report on the value for money of how public money has been spent.

**Figure 1**

## How the National Audit Office (NAO) worked in 2024-25

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



**Note**

- Our audits are either carried out under statute (where it is a requirement of the legislation) or by agreement, which is at the discretion of the Comptroller and Auditor General and with the National Audit Office Board's approval. Most of our audit work is funded directly by Parliament, but we do charge an audit fee to trading funds, non-departmental public bodies and government-owned companies for audits of annual accounts, where these bodies are operating in a commercial environment or at arm's-length from the government.

Source: National Audit Office

## Our progress in 2024-25

**1.3** Last year, 2024-25, was the fifth and final year of the strategy we launched in 2020. This set high-level priorities to improve our support for effective accountability and scrutiny, provide more accessible insight and increase our impact on outcomes and value for money. To help achieve these priorities, we identified the capability of our people, our data, technology and knowledge, and the exemplary efficiency of our operations as key drivers. Our specific objectives for 2024-25 were as follows:

- Ensure that the quality of our financial audit work consistently meets enhanced regulatory standards.
- Restore the timeliness of audit certifications to pre-pandemic levels by summer 2025 and gradually reduce outsourcing of audit work to improve value for money.
- Respond to the needs of Parliament and the public through a balanced programme of value-for-money (VFM) examinations covering the main spending departments and addressing the long-term challenges and opportunities for government.
- Build our capacity to carry out a growing range of audit responsibilities, as well as in critical business support areas such as digital and technology, while ensuring that over 80% of our expenditure is on front-line audit.
- Plan for our new five-year strategy from 2025.<sup>1</sup>

**1.4** Our performance against these objectives, including the metrics we used to assess our progress in 2024-25, is summarised below. We give more detail in the performance analysis section from page [25](#).

---

<sup>1</sup> For more information, see our annual update for the Public Accounts Commission, *NAO strategy: Progress update and estimate memorandum for 2024-25*. Available at: <https://www.nao.org.uk/corporate-information/nao-strategy-update-and-estimate-2024-25/>

## Performance summary

**Our performance in relation to our strategic priorities in 2024-25 is summarised below. Our detailed review of performance is contained in the Performance analysis section and our discussion of risks to the achievement of our objectives is set out in the Governance statement below.<sup>1</sup>**

## Supporting effective accountability and scrutiny

### Key performance

(see pages [26](#) to [40](#) for more detail)

We made strong progress in our work to consistently meet international auditing standards, with a very significant improvement in our external financial audit quality review scores, showing that our Quality First Plan and investment in audit technology is making a real difference. We recognise that we need to further embed the improvements made and that audit quality will remain a key focus over the next few years.

We performed strongly in delivering our financial audits in 2024-25, but we did not achieve our aim for more accounts to be certified to a pre-summer Parliamentary recess timetable, partly because the general election period delayed ministerial approval of accounts in some cases. We are working with audited bodies, HM Treasury and the Government Finance Function to support earlier accounts preparation.

External quality review: proportion of reviewed financial audits meeting required standard<sup>2</sup>

2024-25	Target	2023-24
<b>100%</b> (2023-24 audits)	<b>100%</b>	<b>43%</b> (2022-23 audits)

Internal quality review: proportion of reviewed financial audits meeting required NAO standard

2024-25	Target	2023-24
<b>71%</b> (2023-24 audits)	<b>100%</b>	<b>65%</b> (2022-23 audits)

Number of financial audit certifications in year

2024-25	Target	2023-24
<b>414</b>	<b>400</b>	<b>416</b>

Proportion of 2023-24 audits certified pre-summer 2024 Parliamentary recess (working with government officials)

2024-25	Target	2023-24
<b>55%</b>	<b>70%</b>	<b>60%</b>

Number of value-for-money (VFM) and wider assurance reports in year

2024-25	Target	2023-24
<b>60</b>	<b>62-65<sup>3</sup></b>	<b>64</b>

External quality review: proportion of reviewed VFM reports meeting required standard

2024-25	Target	2023-24
<b>95%</b> (2024 audits)	<b>100%</b>	<b>100%</b> (2023 audits)

**KEY** to colour shading:

<span style="background-color: #90EE90; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> Target met
<span style="background-color: #FFD700; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> Target not met but improvement on last year
<span style="background-color: #ADD8E6; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> Target not met



We published fewer value-for-money (VFM) and wider assurance reports in 2024-25 because of the general election and fewer parliamentary sitting days, and because of our wish to respond fully to the new government's plans. Reviews of our VFM work show that this continues to be of high quality in the vast majority of cases.

We also commission private firms to support our financial audit work. We are spending more on this support in response to an increasing quality bar for audit, evolving accounting standards and the increasing complexity of audited body transactions, and because audit firms are charging higher rates. We are implementing a plan to gradually reduce outsourcing of our more straightforward whole audits.

Since the general election, we have worked hard to build awareness of the NAO's role and output with the new Parliament. Despite the large proportion of MPs elected for the first time, the overwhelming majority regard us as effective at supporting them to hold government to account and scrutinise public services, and survey feedback shows that our work continues to be recognised for its quality, clarity and focus on the issues that matter most.

#### Internal quality review: proportion of reviewed VFM reports meeting required NAO standard

2024-25	Target	2023-24
<b>83%</b> (2024 audits)	<b>100%</b>	<b>75%</b> (2023 audits)

#### Proportion of MPs who say we are above average for the quality of our products or services

2024-25	Target	2023-24
<b>80%</b>	<b>65%</b> or more	<b>85%</b>

#### Proportion of MPs who agree that they can easily access our insights and knowledge

2024-25	Target	2023-24
<b>63%</b>	<b>65%</b> or more	<b>66%</b>

#### Proportion of MPs who agree that our insights and reports are clear, easy to read and understandable

2024-25	Target	2023-24
<b>69%</b>	<b>65%</b> or more	<b>73%</b>

#### Proportion of MPs who agree that the NAO is effective at supporting Parliament to hold government to account and scrutinise public services

2024-25	Target	2023-24
<b>87%</b>	<b>90%</b> or more	<b>94%</b>

**KEY** to colour shading:  Target met  
 Target not met but improvement on last year  
 Target not met

## Providing accessible insights that lead to better outcomes and value for money

### Key performance<sup>4</sup>

(see pages [41](#) to [50](#) for more detail)

Most indicators we used in 2024-25 to measure our influence and impact on our audited bodies and others showed positive results and provide a strong foundation from which to build for the coming five years, including for financial impacts, where we significantly exceeded our target in 2024. Our investment in Insights teams intended to strengthen our expertise in the skills that are important to government, has been a key way in which we have sought to deepen our audit insights and increase our influence. Our external auditors reviewed their achievements in 2024-25 and concluded that our investment was value for money. The C&AG's annual speech in Parliament in February 2025 made clear our aim to further increase our influence and our impact as part of our new strategy, focusing on the productivity and resilience of public services and financial management and reporting in government.

Proportion of our recommendations accepted or partially accepted by our audited bodies<sup>5</sup>

2024-25	Target	2023-24
<b>93%</b>	<b>90%</b> or more	<b>95%</b>

Proportion of senior officials in the bodies we audit who say they can easily access our insights and knowledge

2024-25	Target	2023-24
<b>66%</b>	<b>70%</b> or more	<b>69%</b>

Proportion of senior officials in the bodies we audit who consider that our work leads to better outcomes

2024-25	Target	2023-24
<b>73%</b>	<b>70%</b> or more	<b>73%</b>

Volume of financial impacts (£) generated by our work, for every £1 of expenditure

2024-25	Target	2023-24
<b>£53</b>	<b>£10</b>	<b>£17</b>

**KEY** to colour shading:

- Target met
- Target not met but improvement on last year
- Target not met

## Developing our people, digital technology and data capabilities

### Key performance

(see pages [51](#) to [57](#) for more detail)

The measures that we use to assess our progress in strengthening our people and digital capabilities all improved in 2024-25, demonstrating the positive steps we are taking.

Our success depends on having teams with the right skills, motivation, diverse characteristics and capabilities to perform consistently well. In 2024-25, we increased our permanent workforce by 72 people in response to a growing range of audit responsibilities and as part of our medium-term plan to conduct more audit work in-house.<sup>6</sup> We made sure that the changes to ways of working prompted by our Audit Transformation Programme (ATP) became business as usual, and provided training in more digital techniques to support audit and in ways to strengthen engagement with audited bodies. We saw a welcome further improvement in our gender pay gap and a reduction in sickness absence. We are continuing to develop our wellbeing approach and address workload demands, and are working to improve ethnic minority progression once our colleagues complete their professional training, reducing our ethnicity pay gap in the longer term.

### People engagement rate (out of 10)<sup>7</sup>

2024-25	Target	2023-24
<b>7.0</b>	<b>8</b> or more	<b>6.8</b>

### Gender pay gap

2024-25	Target	2023-24
<b>1.7%</b>	<b>4%</b> or less	<b>4.4%</b>

### Ethnic minority pay gap

2024-25	Target	2023-24
<b>14.5%</b>	<b>8%</b> or less	<b>15.4%</b>

Also see Figure 4 for office-wide representation data.

**KEY** to colour shading:

	Target met
	Target not met but improvement on last year
	Target not met

Our investment in digital technologies and improvements to the way in which we access, collect, manage and analyse data are crucial to the quality, productivity and impact of our future work. In 2024-25, we used our new audit platform, Apex, to undertake financial audits. The implementation of Apex marks a significant step in our ATP and, through more automation and standardisation, will provide the foundation for more efficient and higher-quality audit work. Alongside Apex, we introduced new analytics tools to improve the quality and speed of our audit testing and permit more time for audit judgements. These improvements are reflected in more positive feedback from our people on the tools and information available to support them in their work. We also trialled IT controls, testing techniques on individual audits to further enhance audit quality and reduce the volume of detailed sample testing where we had confidence in audited bodies' systems and controls. At the same time, we introduced stronger data loss prevention controls.

Proportion of our people who say they have the right technology and tools to do their work (out of 10)<sup>8</sup>

2024-25	Target	2023-24
7.6	8.2 or more	7.5

Proportion of our people who say they can find the information they need to do their work effectively (out of 10)

2024-25	Target	2023-24
7.0	7.4 or more	6.8

**KEY** to colour shading:

	Target met
	Target not met but improvement on last year
	Target not met



## Working productively and with resilience

### Key performance

(see pages [58](#) to [74](#) for more detail)

Our net resource expenditure in 2024-25 was £100.2 million compared with our budget of £101.9 million (1.7% variance). Our net capital expenditure was £4.2 million compared with our budget of £4.3 million (2.3% variance).

We invested further in critical business support functions such as digital, information security and technology, ensuring that we continue to support the increase in front-line audit teams and our ATP. We made changes to how we access and share knowledge and we are exploring the potential benefits of new and emerging technologies such as Artificial Intelligence (AI) to further increase the productivity of our operations.

We began our phased refurbishment of the floors we occupy in our London office to make our smaller operating area work more effectively to help us rent out up to half our usable space and reduce our running costs to Parliament.

We continue to make steady progress in our work to reduce carbon emissions from our estate and are exploring a decarbonisation project that aims to lower our longer-term heating and cooling costs.

### Proportion of resources spent on front-line audit

2024-25	Target	2023-24
<b>83%</b>	<b>80%</b> or more	<b>84%</b>

### Proportion of correspondence from the public responded to within 20 working days

2024-25	Target	2023-24
<b>99%</b>	<b>90%</b> or more	<b>99%</b>

### Volume of carbon emissions from our estate (tonnes)

2024-25	Target	2023-24
<b>750</b>	<b>880</b> or less	<b>738</b>

### Notes

- 1 See page [101](#) in the Governance statement in the Accountability report for corporate (or organisation wide) risks to achieving our objectives as at the end of March 2025
- 2 Financial audits assessed to be in the top two Financial Reporting Council (FRC) audit quality review categories
- 3 Increased from a minimum of 60 reports to 62 in 2023-24
- 4 We have previously also measured our media impact using a composite of several indicators. A change in our media information supplier meant that we have not been able to provide the same data, but we will reconsider options as part of our work on a new performance framework for our new strategy
- 5 Progress of recommendations where the audited body has provided an update
- 6 Full-time equivalent (FTE) colleagues
- 7 See Figure 3 for more information on the National Audit Office's People Survey results
- 8 The question asked by our current People Survey supplier is slightly different to the one in the indicator description above (which is taken from an earlier people survey questionnaire). The performance above is in relation to the statement: "I have the right materials and tools to complete my work." The current question gives us better insight on how we can improve
- 9 We are developing a new performance framework to assess our progress in implementing our new strategy from 2025 and will report against this in our 2025-26 Annual Report and Accounts

## Our new strategy 2025–2030

- 1.5** Our work is critical in supporting Parliament to scrutinise how effectively the government spends public money. Our new strategy builds on our achievements by seeking to further increase our impact over the next five years. Governments are grappling with global issues like climate change, rapid technological development and increased security threats, while striving to provide modern and affordable public services that meet the needs and expectations of today's society. In practice, this requires innovation and experimentation while also getting the basics right. Effective public financial management and administration are critical to this. In the five years to 2030, we will focus on helping improve the productivity and resilience of public services and better financial management and reporting in government. By working effectively with Parliament and our other stakeholders, we aim to inform public trust on these issues (**Figure 2**).
- 1.6** We are developing a new approach to assessing and reporting on our performance under the new strategy for 2025–26.



**Figure 2****National Audit Office (NAO) strategy, 2025–2030**

We aim to increase our impact on the productivity and resilience of public services and the quality of financial management and reporting in government.

**NAO STRATEGY 2025–2030****TRUST ▪ VALUE ▪ IMPACT**

# Performance analysis

The performance analysis section describes our progress in 2024-25 in more detail.

# Supporting effective accountability and scrutiny

This section sets out how we supported accountability and scrutiny in 2024-25 through high-quality audit and making our insights accessible.



...they hold government departments to account, they produce excellent reports on their work, and they're accessible

**MP in our 2024-25 survey**



...a very strong reputation for accurate and professional analysis, and also considerable expertise, trustworthiness, objectivity and reliability...

**MP in our 2024-25 survey**

## Comprehensive, relevant and timely audit programme

- 1.7** Our success in supporting accountability and scrutiny depends on our performance in delivering a comprehensive, timely and relevant programme of financial audit, value-for-money (VFM) and wider assurance work which meets the expectations of Members of Parliament (MPs).



## Financial audit certifications

- 1.8** We certify the accounts of all central government departments and entities, as well as certain government-owned companies, and organisations such as the BBC. We conduct our financial audit in accordance with international auditing standards, providing assurance, through the Comptroller and Auditor General's (C&AG) opinion, to Parliament and other stakeholders that financial statements are **true and fair** and, for most of our audits, that income and expenditure are in accordance with Parliament's intentions, known as the **regularity** opinion.
- 1.9** In 2024-25, we certified 414 accounts, a similar number to 2023-24, and continued to publish extended auditor reports for all government departments, giving more information to Parliament and the public, and increasing transparency. We expect the number of organisations we audit to increase over the next three years in response to developments in government, including our appointment as auditors of the train operating companies. This follows changes in 2024-25 that saw us take on the audits of four Nuclear Decommissioning Authority site companies over two years and Pool Reinsurance Company Limited.



## Reporting timeliness

- 1.10** For the financial statements of public bodies to be useful to those who take assurance from them, including Parliament, it is important that they are audited and published as soon as possible after the financial year-end. In 2024, 55% of the bodies we audit published their accounts before the summer Parliamentary recess in July. This was lower than the 60% achieved in 2023, in part because of the impact of the 2024 General Election, which affected timetables for ministerial approval in some cases. Some central government bodies, including the Department for Culture, Media & Sport, and the Ministry of Justice were also affected by delays to the audits of local authority pension schemes.
- 1.11** Our ambition this year is for 70% of audited accounts to be published before the summer 2025 Parliamentary recess, including most major departmental accounts. We are working with audited bodies, HM Treasury (HMT) and the Government Finance Function to support more timely accounts and audit.

## Financial audit quality

- 1.12** The results from the latest Financial Reporting Council's (FRC) external review of a sample of our 2023-24 audits show that we are making tangible improvements to our quality and that our investment in audit transformation over the last few years is working. Our credibility depends on our audit quality, but past reviews of our work showed that we were not meeting international auditing standards consistently. In April 2024, in response, we launched a new Quality First Plan. Building on investment in our audit methodology and software, the Plan addresses past quality review findings, strengthens our System of Quality Management, and targets how we engage externally to support high-quality public audit. All our 2023-24 audits subject to external FRC Audit Quality Review met the required standard this year, a strong sign that our approach is working. Nevertheless, our internal quality review scores show that we still have more to do to properly embed improvements (71% of audits reviewed internally met required

standards, compared with 65% of 2022-23 audits). Our forthcoming *Transparency Report 2024-25* sets out the further steps that we are taking to maintain our progress and achieve high quality consistently.<sup>2</sup>

- 1.13** Financial reporting and auditing standards have been strengthened in recent years in response to high-profile failures of some audits in the corporate sector. This has led to greater complexity in the accounts of many of the organisations we audit, which means that we need to seek further audit evidence. In 2024-25, we commissioned more specialist audit advice in line with these increasing quality expectations and the new complex arrangements entered into by our audited bodies, and as a response to past quality review findings. We expect this level of support to be maintained in 2025-26 to help us achieve consistently high-quality audit.

## Contracting out audits

- 1.14** As well as commissioning specialist audit advice from the private sector on issues such as complex financial instruments and property valuations, we also contract out whole financial audits to the audit firms, previously outsourcing over a fifth of our work. In December 2023, in response to increasing fees, the National Audit Office (NAO) Board agreed a plan to build our in-house capacity and reduce outsourcing of whole audits over the medium term. We will instead use the firms for more complex and specialist audits of insurance-related entities, pension schemes and other unusual functions where it is not cost-effective for the NAO to hold the required skills routinely. For the 2024-25 audit cycle, nine audits that were previously outsourced and are relatively straightforward are now being delivered by NAO teams. We expect this change in outsourcing strategy – which depends on building our in-house capacity – to improve value for money over the medium term because we can deliver more routine audits in line with quality standards at lower cost than the partner firms.

---

<sup>2</sup> See National Audit Office Transparency pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/>

## Achieving wider impact

### Government's work to protect the public and businesses from fraud

#### What we did

Our 2022 report '[Progress combatting fraud](#)' highlighted the need for the government to take a whole-system approach to addressing fraud against businesses and the public. We said that the government needed to be clear about the outcomes it sought to achieve and how it would measure its progress against them. We urged it to review and align existing communication strategies and to present coherent and targeted messages to business and the public on how to protect themselves from fraud.

#### Impact and outcome

In May 2023, the then government published a new strategy, '*Stopping scams, protecting the public*', with the then Home Secretary thanking us and the Committee of Public Accounts (PAC), among others, for our recommendations. The strategy set a clear ambition to cut incidents of fraud by 10% from their 2019 levels by the end of the last Parliament and prescribed the role of key delivery partners. In February 2024, the government also launched a new communications campaign – 'Stop! Think Fraud' – to provide consistent, clear and robust anti-fraud advice to the public. The 2024 Crime Survey of England and Wales estimated that there had been 3.2 million incidents of fraud in the year to March 2024, meeting the target to achieve a 10% reduction on 2019 levels.

## Value-for-money and wider assurance work

**1.15** We support Parliament in holding government to account through our value-for-money (VFM) and wider assurance reports. In 2024-25, we published 60 reports, including investigations and lessons learned insights, four fewer than in 2023-24. The small reduction reflects fewer sitting days when we could present our reports to Parliament and a desire to ensure our programme remains relevant in light of the new government's plans.

### VFM quality

**1.16** We expect all our VFM work to meet high standards and to be relevant, accurate, accessible and focused on achieving impact and supporting innovation. We invite external experts to conduct independent reviews of our published work to assess the strength of the methods and evidence used, and robustness and clarity of the findings and conclusions presented. Of the 20 reports assessed in 2024-25, 19 met or exceeded expected

standards, with the external reviewers highlighting good practice around the scoping of studies, the clarity and accessibility of reporting, and clear links made to past work. The external reviewers also suggested helpful areas for further improvement such as greater use of benchmarking of performance and strengthening of recommendations, which we will incorporate into our plans.

- 1.17** We also conduct internal reviews to see whether study teams are following our quality management process, designed to ensure we consistently meet our VFM standards and to identify learning and best practice. In 2024-25, we reviewed 12 reports and found that 10 of these met our standards. We rated two reports as not meeting our standards as not all control procedures were followed in full. In each case, we assessed that the overall evidence and conclusions in the final report were not affected. We identified good practice across many of the audits reviewed, including approaches to building a strong evidence base, using internal and external expertise and considering opportunities to have influence and impact on government from our work. Our forthcoming *Transparency Report 2024-25* gives more detail on quality in our VFM audit.<sup>3</sup>

## VFM and wider assurance programme coverage

- 1.18** We continued to focus on the long-term VFM challenges and themes for the government, targeting the significant opportunities for productivity improvement and measures to promote resilience and effective delivery of core public services. We ensured proportionate coverage of the main spending departments, including those created by the last government in early 2023.<sup>4</sup>
- 1.19** Our work shows that there are significant opportunities for the government to get better value for public money through well-managed innovation and improvements in productivity. To help MPs and ministers make best use of our insights, the C&AG published [\*Making public money work harder\*](#) in July 2024. This report distilled recent lessons on where we see most scope for improvement in the efficiency and effectiveness of government operations and public services. In February 2025, the C&AG also spoke in Parliament about the role of innovation in unlocking gains in productivity and resilience across government.<sup>5</sup>

<sup>3</sup> See National Audit Office Transparency pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/>. Reviews of VFM quality conducted in 2024-25 all relate to reports published in 2024.

<sup>4</sup> All our reports and insights are available at: <https://www.nao.org.uk/>

<sup>5</sup> C&AG speech available at: <https://www.nao.org.uk/insights/innovation-key-to-unlocking-gains-in-productivity-and-resilience/>



## Making public money work harder – learning from recent NAO work<sup>6</sup>

### Five financial opportunity areas, and the top lessons to take from our work



#### Delivering major infrastructure projects well

Be clear about what the project must achieve, but flexible about how

Involve the organisations you need for success in the project's governance

Create a culture of transparency and honesty

Recognise there are uncertainties and prepare to deal with them

Be clear with stakeholders, including HM Treasury, about the level of uncertainty in budget or timetable estimates

#### Looking after your assets

Understand the condition of the assets you hold, and the consequences if they fail

Have an up-to-date plan for holding, maintaining and investing in assets that reflects the objectives

Plan ahead for the orderly replacement or decommissioning of assets



#### Better buying of goods and services

Make use of competition when buying goods and services

Build professional commercial capability to get good value from contracting

Recognise the importance of transparency, especially when there is little or no competition



#### Successful digital transformation

Understand the challenge presented by legacy digital services

Be realistic about what can be achieved, by when, and at what cost

Make sure you have enough capacity and capability to support the scale of change, at both senior leadership and operational levels



#### Driving down fraud and error

Always assess the potential for fraud and error in spending plans

Minimise fraud and error by designing it out

Allocate counter-fraud resources and capability in line with the organisation's risk and tolerance of fraud and error

### Four enablers of better value, and how to unlock them



#### Timely, robust data

Assess and improve data quality

Develop and apply consistent data standards

Share your own data and seek access to other organisations' data, with appropriate safeguards in place

#### Innovation and evaluation

Make use of existing evidence

Set and clearly articulate the risk appetite

Build evaluation into policy design from the start, evaluate as you go along and use the results to refine the approach

Share what is working, what is not, and why

Plan to transition to business as usual



#### A sustainable approach to planning and spending

Avoid inadvertently prioritising short-term requirements over longer-term value for money

Plan for delivery across organisational boundaries

Prioritise financial management and accountability

#### The leadership, skills and culture to succeed

Get the right balance of skills in the top team and across the organisation

Plan ahead

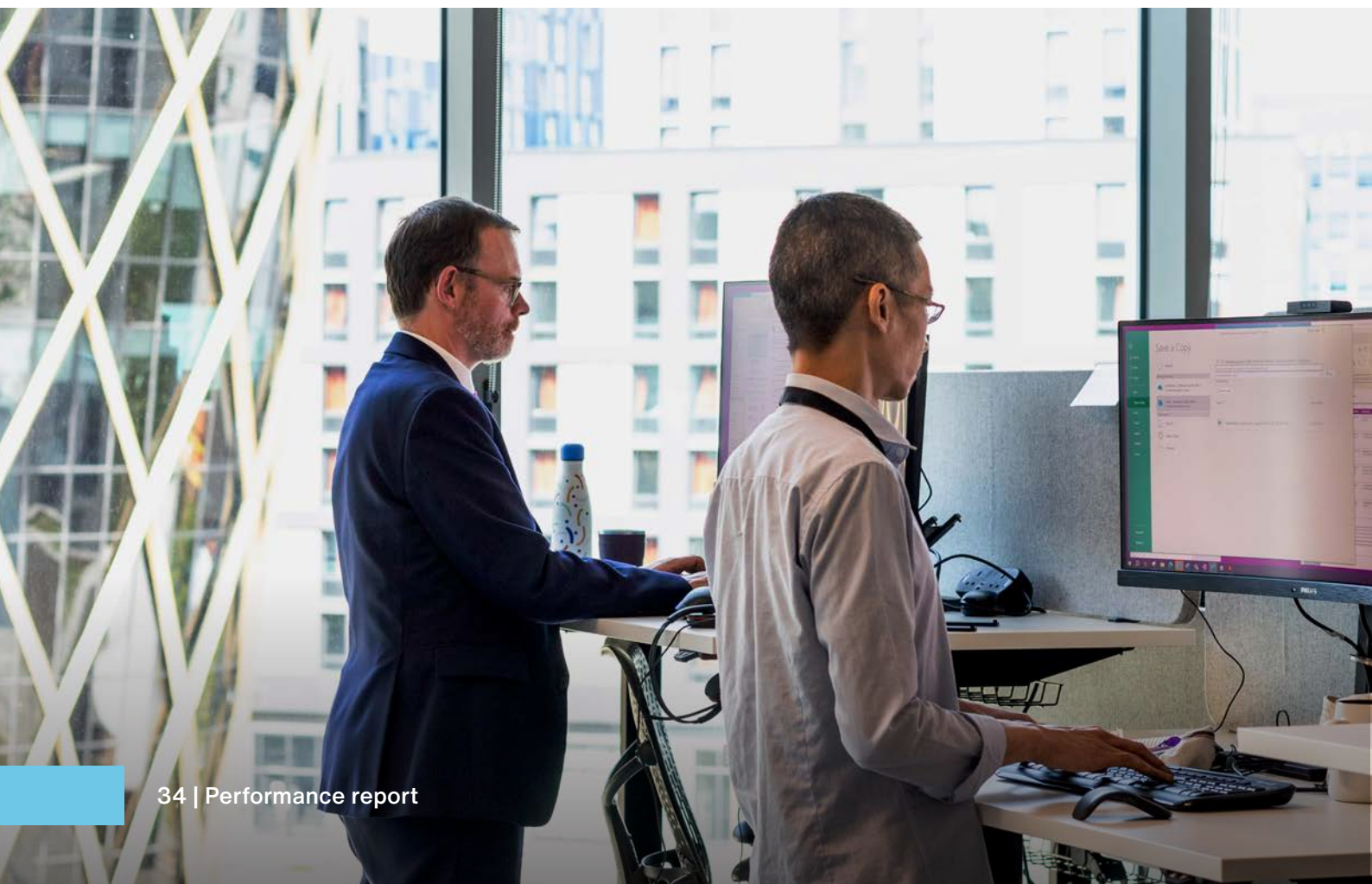
Create an organisational culture that encourages people to speak up about risks and opportunities



<sup>6</sup> Comptroller and Auditor General, *Making public money work harder, Learning from recent NAO work*, Session 2024-25, HC 131, National Audit Office, July 2024.

## More productive public services

- 1.20** Constrained public finances demand that government extracts as much value as possible from every pound it spends. That requires choosing and delivering well. In 2024-25, we examined the Department for Work and Pensions' and HM Revenue & Customs' customer services, reviewed the BBC's commercial activities, assessed HM Revenue and Customs' approach to tackling tax evasion in retail and the administrative cost of the tax system, and audited efficiency in government procurement. We reviewed financial sustainability in the NHS and in local government, building on earlier work.
- 1.21** We kept our focus on the wider performance of core public services, on the persistent delivery challenges facing the government and on the areas of greatest risk to value for money. We examined the government's work to help the attainment of disadvantaged children and support children and young people with special educational needs and disabilities. We assessed the skilled worker route for migration, the backlog of cases in the Crown Court, and work to prevent cardiovascular disease and to tackle violence against women and girls.



## Achieving wider impact

### Workload management in HM Passport Office

#### What we did

Our 2022 investigation into HM Passport Office (HMPO) set out the facts around how it planned for and managed the expected surge in passport applications following the COVID-19 pandemic. We said that HMPO needed to integrate its workforce and demand planning and to develop a flexible staff resourcing model within the wider Home Office, and highlighted the importance of HMPO producing real-time, customer-focused management information, which had previously not been a priority for it.

#### Impact and outcome

HMPO told us our report was important in making its case to Home Office to develop its management information,

enabling 'live' analysis of the number of passport applications in the system and their progress. HMPO also improved its use of resources by using management information to predict busy periods and move staff flexibly between passport administration and other work, while prioritising applications waiting the longest time. It is now better able to manage customer demand, reducing the number of in-person appointments. In the first six months of 2022, HMPO processed 99.3% of straightforward passport applications that did not require further information within 10 weeks. In the first six months of 2024, it processed 99.8% of applications where no further information was required in three weeks.

## More resilient public services

**1.22** Our programme in 2024-25 addressed long-term risks to the resilience of government operations, public services and critical national infrastructure. We reviewed progress on risk reduction at Sellafield, assessed government's approach to maintaining public service facilities, and how it manages demand in the prison estate. We considered the government's cyber resilience, examined progress on the Future Farming and Countryside Programme, reviewed the modified plans for High Speed Two (HS2), investigated plans to manage the risk of anti-microbial resistance, and examined government support for the UK's priority industry sectors.



## Achieving wider impact

### The Department of Business and Trade's grant management in an emergency

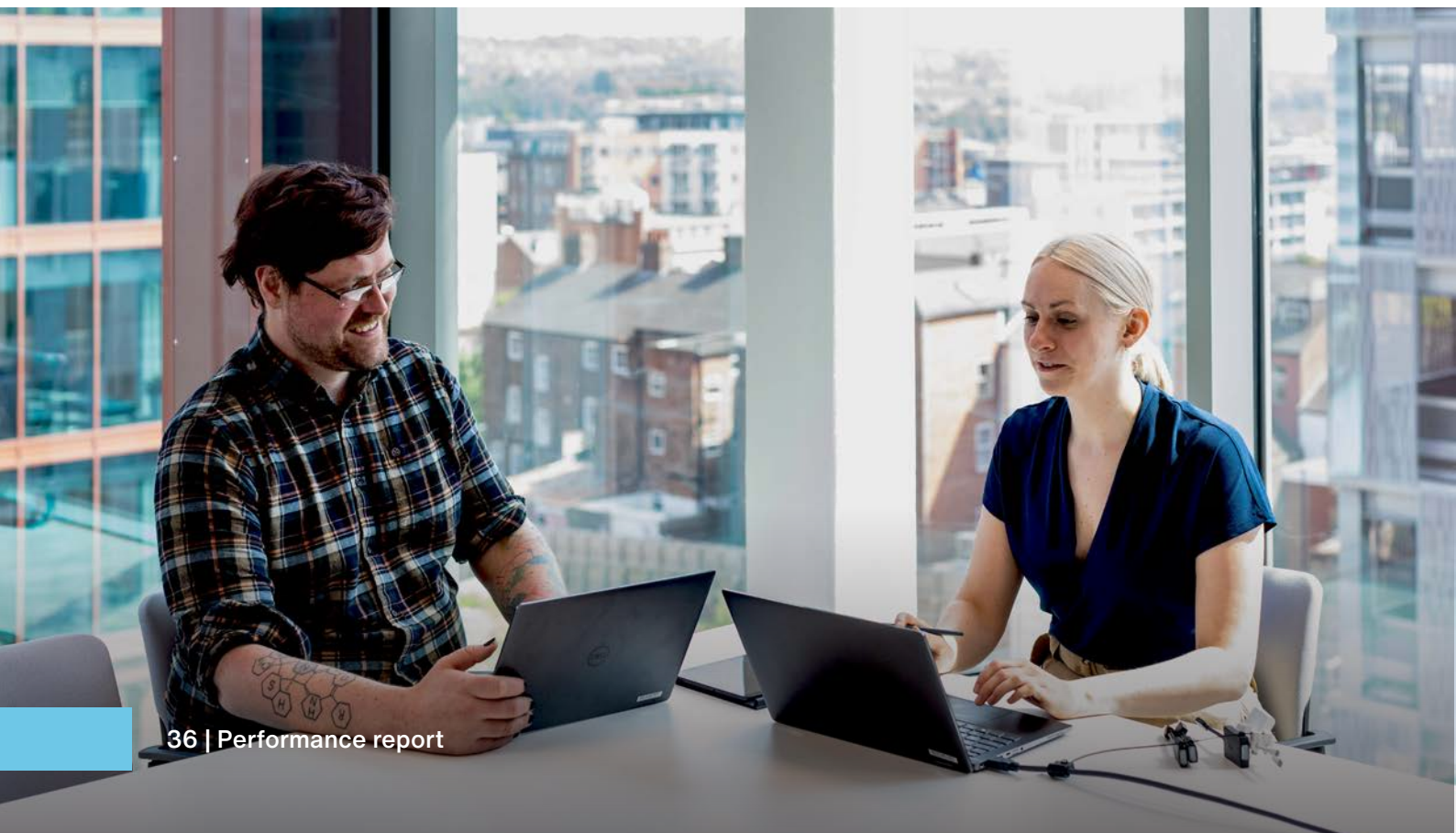
#### What we did

Between March 2020 and December 2021, the government launched eight separate grant schemes, administered by over 300 local authorities, to support smaller businesses in England during the COVID-19 pandemic.

Our 2023 report on COVID-19 business grant schemes called for HM Treasury and the Department for Business and Trade (DBT) to work with local authorities to draw up contingency plans for the provision of financial support to priority groups in the event of a future national emergency, drawing on experience from the pandemic.

#### Impact and outcome

Following our report, DBT agreed to develop contingency plans for a future emergency. In doing so, DBT reflected on what it had learnt from implementing the COVID-19 business grants schemes, which informed the distribution of grant funding to support businesses in the aftermath of flooding at the end of 2023 and in early 2024. DBT mandated local authorities to undertake pre-payment eligibility checks to reduce the risk of irregular payments, providing local authorities with guidance and checklists to support these. DBT is also developing a Pandemic Playbook to support a department-wide response to any future emergency, including from a grant management perspective. The Playbook is expected to be completed by summer 2025.



## Better financial management in government

- 1.23** Strong financial management is vital in enabling government bodies to make better decisions about budgeting and allocating their resources so that public services provide good value for money. It is also essential to support timely, accurate and transparent financial reporting to Parliament and the public. In 2024-25, we assessed the Department for Culture, Media & Sport's management of its loan book and central government's design and delivery effectiveness of grant schemes. We also produced lessons learned outputs on the government's planning and spending framework, its compensation schemes for citizens who have suffered harm, hardship and distress from failures by public bodies, and its approach to digital procurement.
- 1.24** We published a range of good practice guides covering the challenges to managing risks, estimating and reporting fraud and error in annual reports and accounts, monitoring and forecasting effectively and managing conflicts of interest. We also updated our work on managing the commercial lifecycle.

## Achieving wider impact

### The government's management of overseas aid

#### What we did

Since 2015, the NAO has published four reports looking at the UK's spending on overseas aid, known as Official Development Assistance (ODA). Government spending on ODA was £15.3 billion in 2023, of which £9.5 billion was spent by the Foreign, Commonwealth & Development Office (FCDO). We have examined how FCDO has managed significant increases and decreases in overseas aid, highlighted the risks in implementing changes quickly, and considered the effectiveness of this spending. Our reports have noted risks to value for money and made recommendations to improve how government manages its overseas aid portfolio, as well as supporting Parliamentary scrutiny.

#### Impact and outcome

In late 2023, FCDO told two Select Committees how it had drawn on lessons from our work to improve how it manages changes to its ODA budget, including understanding the impact on outcomes, and providing more transparency and certainty. For example, when FCDO paused much of its spending in 2022, following a significant decrease in the ODA budget, FCDO introduced exemption criteria for vital programme spending to protect the most vulnerable people. FCDO also set out expected country allocations for 2023-24 and 2024-25 in its 2022-23 accounts, as part of its work to give its teams greater transparency and predictability around allocations.



## Sustainability reporting

**1.25** Standards for sustainability reporting are evolving rapidly across both public and private sectors, driven by growing global demands for greater transparency and accountability in climate and sustainability matters. The International Public Sector Accounting Standards Board is developing a climate-related disclosure standard for the public sector, expected by late 2025. In the UK, HMT has introduced phased reporting requirements from 2023-24 for central government departments and larger arm's-length bodies which are aligned with the Taskforce on Climate-related Financial Disclosures (TCFD). These requirements complement initiatives like the Transition Plan Taskforce Disclosure Framework, the UK's Green Finance Strategy, and updated Greening Government Commitments, all of which align with the UK's Net Zero ambitions and Green Prosperity Plan. We will report on departments' early progress with TCFD implementation in 2025.



## Support for Parliament

- 1.26** We support Parliament in holding the government to account through our independent, impartial and expert reporting. We do this in several ways, including sending copies of our reports to MPs and select committees. We also provide regular newsletters about our work and offer advice and briefings to the whole of Parliament. Our key relationship is with the Committee of Public Accounts (PAC). In 2024-25, we used our audit findings to support 37 PAC evidence sessions examining the value for money of government projects, programmes and service delivery, around two sessions a week when Parliament was sitting. This is fewer than the 56 supported in 2023-24 because of the General Election campaign and the time taken for new select committees to be established.
- 1.27** Our role means that our relationship with other select committees, individual MPs and wider Parliament, including the House of Lords, is also vital to us. Since the 2024 General Election, we have worked to build and strengthen our relationship with Parliamentarians, recognising that more than half of MPs were new to their roles, and all select committees only recently formed. We wrote to all MPs about the support we can offer and have met with most select committee Chairs and their teams, providing briefing and training on our work. We have also provided 10 secondees and published 22 Overviews covering individual government departments and cross-cutting topics such as regulation, and fraud and error to support select committees, individuals and other teams in Parliament.
- 1.28** Our engagement since the election is working; over two-thirds (68%) of MPs who responded to our 2024-25 survey said that they knew “at least a fair amount” about the NAO, the same proportion as before the election. At the same time, Parliamentarians continue to reference our work regularly (an average 6.1 times per Parliament sitting day in 2024-25 compared with 6.6 times a day in 2023-24).

- 1.29** The latest survey of MPs also shows that our reputation remains strong. MPs continue to recognise the benefits that we provide, with the vast majority (80%) of those who have at least heard of the NAO saying that we are above average for the quality of our products or services (85% in 2023-24) and nearly three-quarters (74%) agreeing that we are above average for our role in influencing beneficial change (77% in 2023-24). Almost nine in 10 (87%) say that we are effective at supporting Parliament to hold government to account and scrutinise public services (94% in 2023-24).
- 1.30** Nearly three-quarters (72%) of MPs responding to the survey think that our reports and insights cover areas and issues they are interested in (67% in 2023-24), around seven in 10 (69%) say that they are clear, easy to read and understand (73% in 2023-24), and nearly two-thirds (63%) think that they are easy to access when they need them (66% in 2023-24). We are pleased that MPs are making good use of our work, with over half (58%) of those who have at least heard of the NAO saying that they look to us for information or support at least once a month. We know how much MPs value regular face-to-face contact, and offering this support will be a priority as part of our new strategy.

## Achieving financial impact

### Increased take-up of broadband social tariffs

In 2020 we published our report [\*Improving Broadband\*](#), which the PAC took as evidence in a session with officials from the then Department for Digital, Culture, Media & Sport. PAC held further evidence sessions with department officials and requested additional information, focusing on how the department was promoting the take-up of social tariffs – cheaper broadband and phone packages offered by some providers to people claiming means-tested benefits.

The department recognised that it could do more to ensure eligible customers were aware of these tariffs and took further action to promote them in response to the PAC's inquiry. The number of households claiming a fixed broadband social tariff increased from 55,000 in January 2022 to an estimated 491,000 in December 2024, saving these consumers an average of £224 per year. Our initial report contributed to this financial impact (see page [182](#) for details of the £23 million of financial impact we achieved in this case).

# Providing accessible insights that lead to better outcomes and value for money

This section gives an overview of progress we made in 2024-25 in making our insights more accessible and increasing our impact on outcomes and value for money.



My overall impression of the team was really very favourable... I thought that they came across as being really thoughtful and thorough and insightful and very technical, especially around the IFRS 17 issues. There were some difficult, knotty things that we had to get our heads around and actually, the NAO team flagged a couple of things that were a slight issue, and we had to go away and have another think, and that was really good.

**ARAC Chair, Audited body survey, 2024-25**



We had a fantastic engagement with the NAO team. They came in early to understand what it was we were trying to understand and made sure we'd get value from the work that we're doing.

**Accounting Officer, Audited body survey, 2024-25**



## Engaging with audited bodies

- 1.31** Our success in further improving the quality and productivity of our audit work and increasing our influence depends on effective and sustained collaboration with our audited bodies. We are strengthening our engagement with these bodies and with others across government such as the Government Finance Function and HMT. We are increasing our work with the audit and risk committees (ARACs) of our audited bodies, and in February 2025 held our now annual meeting with ARAC chairs, this year representing 48 bodies and considering developments in financial and sustainability reporting.
- 1.32** We established six Insights teams early in our 2020–2025 strategy and a seventh team more recently, to build our specialist expertise in the skills that are important across government, so that we can engage credibly with our audited bodies. The Insights teams have worked well, building our capability and producing new products to support senior decision making in government and effective scrutiny by departmental audit committees and Parliament. In its recent review of these teams, our external auditor concluded that they had helped build relationships across government, supported our VFM work programme and addressed audit quality, and were contributing to wider upskilling of NAO teams through structured training. Our auditors concluded that our continued investment in Insights teams was delivering value for money. They recommended further enhancements, including making sure Insights teams' work is aligned with our new strategy, their subject matter expertise and upskilling role is retained, and their impact is continuously assessed.
- 1.33** We measure our engagement with audited bodies through an annual survey of senior officials. Of those responding in 2024-25, most (86%) said that we were authoritative (89% in 2023-24). Two-thirds (66%) said that they could easily access our insights and knowledge (69% in 2023-24). Nearly nine in 10 (86%) of those who had read one of our insight products said that these were of high quality (86% in 2023-24) and nearly three-quarters (73%) said that our work led to better outcomes (73% in 2023-24).



## Case study

### The work of our Financial and Risk Management Insights team

Our VFM and lessons learned work routinely highlights the financial and risk management challenges for government. Our dedicated Insights team is publishing a series of good practice guides and tools for government to help tackle these challenges. These draw on good practice from our own analysis, from professional groups and from audited body representatives to help government finance and risk professionals to improve their financial management.

In July 2023 we started a five-part series of guides on *financial management good practice insights* which follow the financial management cycle and have considered key enabling factors such as leadership and culture, skills and capabilities, and data and technology; and how best to do strategic planning and budgeting.

In 2024-25, we published further guides on how to allocate resources effectively and how to monitor and forecast successfully.

On risk management, our December 2023 guide on *Overcoming the challenges of managing risks in government* (and companion *analyser tool*) helps risk leaders and practitioners overcome the pervasive and deep-rooted issues that can make risk management challenging in government. It sets out 10 approaches to improving risk management, offering practical tips, case studies and insights from leaders and experts from inside and outside government.

We look forward to publishing further guides to support audited bodies in their work in 2025-26.

## Engaging more widely

**1.34** We aim to reach and engage with a wide range of audiences through targeting the channels that they use and sharing content which is accessible and informative. In 2024-25 our website received on average 52,000 page views per month, and our social media posts achieved around one million impressions.<sup>7</sup> As of March 2025, over 12,000 subscribers to our email alerts had opened, clicked or visited our website within the last 30 days. The media relies on our work because we provide an independent and trusted source of information. In the last six months of 2024-25, we had over 17,000 pieces of coverage across online, broadcast and print media, ensuring that our key messages are accessible to audiences however they prefer to consume information. We also share our insights at many events. This activity, alongside positive survey feedback from stakeholders on the impact of our work, demonstrates our continued focus on achieving impact and influence.

## Our international work

**1.35** We have regular engagement with our colleagues in other international public audit organisations, known as Supreme Audit Institutions (SAIs).<sup>8</sup> While a small component of our overall work, this activity is valuable and improves our offer to Parliament by bringing global perspectives and access to good practice on implementation of auditing standards, data analytics and other innovative technology such as artificial intelligence (AI). Our technical cooperation work also helps to strengthen accountability and transparency in international institutions and countries in receipt of UK taxpayer funding.

**1.36** There are three main components to our international work.

- **International relations:** We are members of international forums, including the Governing Board of the European Organisation of Supreme Audit Institutions (EUROSAI), and collaborate with our equivalents in other countries on global themes, methods and standards, participating in working groups specialising in environmental audit, IT audit and the development of financial

<sup>7</sup> Data for this year are not comparable with 2023-24 because of a change in measurement analytics.

<sup>8</sup> This can often be through umbrella organisations such as the International Organisation of Supreme Audit Institutions (INTOSAI) and its European regional working group, the European Organisation of Supreme Audit Institutions (EUROSAI).

and performance quality standards. We are also developing a programme of inwards and outwards short-term secondments with overseas national audit offices.

- **International audit:** We are the external auditor of some of the international organisations that receive UK funding, including the International Telecommunications Union. These appointments provide membership of the United Nations Panel of External Auditors, where we gain insight on international audit issues.
- **Technical cooperation:** We participate in funded projects to help national audit offices overseas improve their professional public audit service, sharing our technical knowledge and assurance expertise. We have prioritised our support in 2024-25 to countries that receive UK aid, including Ukraine, Kenya, Rwanda, Tanzania, Ghana and The Gambia, and we partner with the Commonwealth Parliamentary Association and the Government Internal Audit Agency to support the UK's Overseas Territories.

## Supporting the government to address local audit challenges

- 1.37** External audit firms are responsible for reporting their opinion on whether local public bodies' financial statements give a true and fair view, and for concluding on whether the body has made proper arrangements for securing value for money. The C&AG has statutory responsibility for setting the Code of Audit Practice which governs the work of these local auditors. Other leadership responsibilities for auditor procurement, regulation and quality currently rest in other bodies.
- 1.38** The local audit system has been in crisis for several years, with only around 1% of local authority audits delivered on time in 2023. We have supported the government and others in their work to establish statutory deadlines for publishing local authority audited accounts, including our work to consult on and lay a new Code of Audit Practice in 2024-25. The first two statutory deadlines were on 13 December 2024 for all financial years up to 2022-23 and 28 February 2025 for the 2023-24 year. These achieved the intended effect of resetting the system, albeit with nearly half of local authorities having their auditors issue disclaimed opinions on their accounts. This absence of audit assurance is significant and will impact again on our audit of the Whole of

Government Accounts. Following its consultation on the future of local audit, the government has re-affirmed its intention to set up a Local Audit Office to “streamline and simplify the system”.<sup>9</sup> This significant reform will bring together a range of functions, including responsibility for the Code of Audit Practice. In the meantime, we will maintain the Code and, where necessary, develop fresh statutory guidance to support the reset and recovery of the system.

## Correspondence from Parliamentarians and the public

**1.39** Following up and replying to correspondence is an important part of what we do and informs our core work. In 2024-25, we provided 1,131 responses to the public and MPs (976 in 2023-24).

**1.40** We aim to reply to correspondence from MPs within 10 working days and from the public within 20 working days. In 2024-25, we replied to:

- 99% of letters from the public within our target timescales (99% in 2023-24); and
- 100% of letters from MPs within our target timescales (98% in 2023-24).

**1.41** The Freedom of Information (FOI) Act 2000 gives applicants a general right of access to recorded information held by public authorities, subject to certain limitations. In 2024-25, we received 92 requests for information under the FOI Act, compared with 104 in 2023-24<sup>10</sup>. We received eight requests under the Environmental Information Regulations (EIR) 2004 (three in 2023-24) and answered six subject access requests under the Data Protection Act 2018 (seven in 2023-24). We publish a [FOI and disclosure log](#) on our website.

<sup>9</sup> See government response to its consultation on overhauling the local audit system in England, available at: <https://www.gov.uk/government/consultations/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england/outcome/local-audit-reform-government-response-to-the-consultation-to-overhaul-local-audit-in-england>

<sup>10</sup> We received 105 requests for information under the Freedom of Information Act in 2023-24 but one of these requests was withdrawn, giving a revised total of 104.

## Achieving wider impact

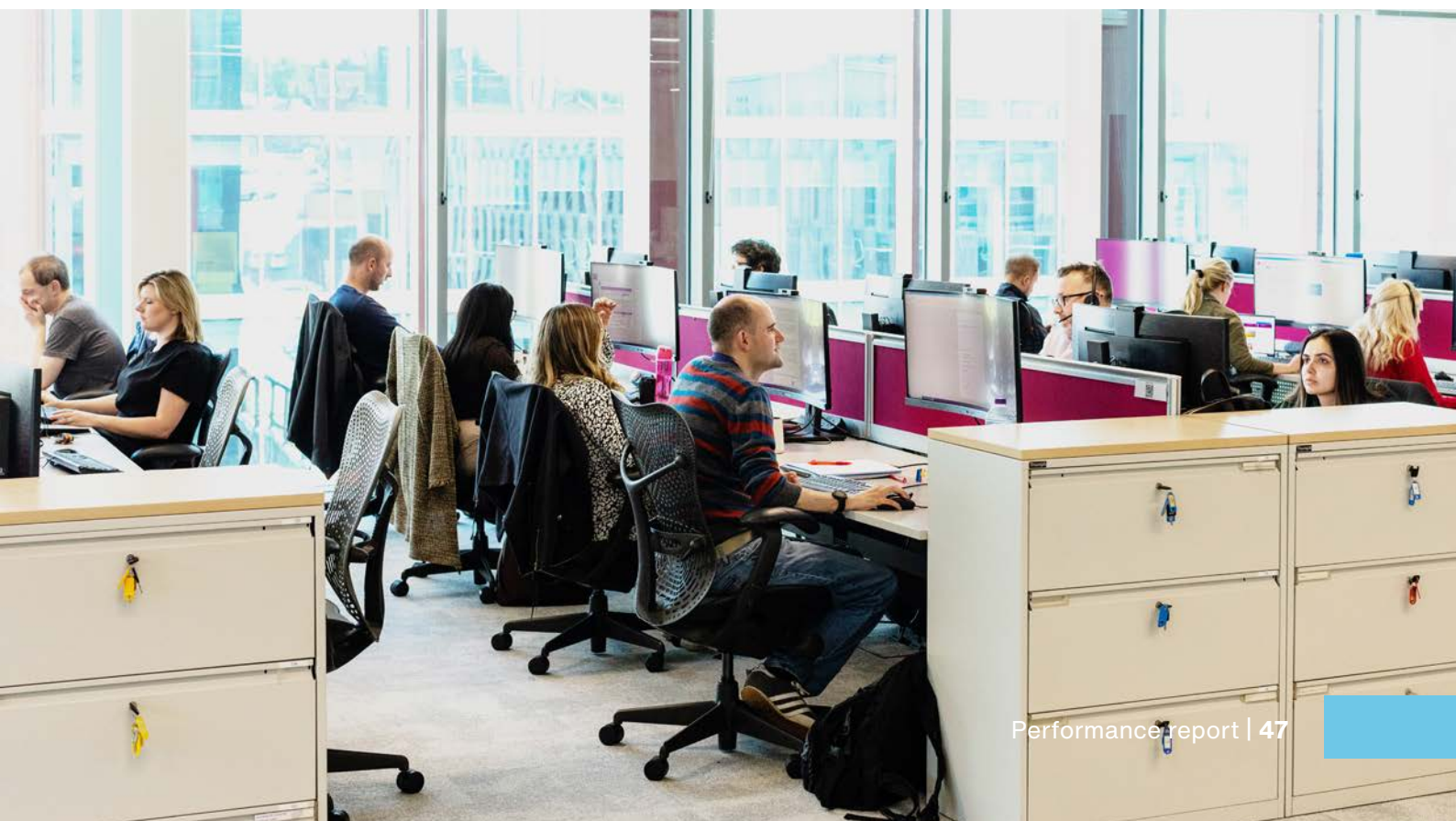
### The risks of reinforced autoclaved aerated concrete in school buildings

#### What we did

In June 2023, we reported that, while the Department for Education (DfE) recognised significant safety concerns across the school estate, including with reinforced autoclaved aerated concrete (RAAC), it lacked comprehensive information on the extent and severity of concerns, despite previous requests to schools. In March 2022, DfE had sent a questionnaire to responsible bodies for schools in England asking whether they had carried out work to identify RAAC and, in December of that year, had updated relevant guidance. More than a year later (May 2023), 86% of the 14,900 schools DfE was focusing on had responded, but only 42% had completed work to identify RAAC. DfE had visited 34% of those where it thought RAAC might be present, with RAAC confirmed at 65 schools.

#### Impact and outcome

Our June 2023 report, and the subsequent publicity, parliamentary debate and scrutiny around school building safety, helped DfE to collect more complete information following improved engagement by schools. DfE also updated its approach to schools with RAAC in August 2023. In November 2023, five months after the publication of our report, DfE had received information from responsible bodies for all those schools it assessed to be at greatest risk and used this to target specialist visits. All schools had responded by mid-December 2023. DfE has said that it has since addressed critical RAAC safety concerns in the 237 schools and colleges confirmed as having RAAC.





## Using our recommendations and insights to achieve impact

- 1.42** Our audit work across government gives us deep knowledge of the challenges facing public services, and a unique perspective on how these challenges are being met. We also see successful ways of working in our audited bodies that could be applied more widely. It is our job to make clear recommendations and provide timely insights to help government to innovate to improve services and outcomes from public spending, drawing on our audit and wider assurance and insights work to highlight good practice, share lessons learnt, and promote improvement using all the opportunities available to us.
- 1.43** Of the 1,419 recommendations we made to the government from our VFM and wider assurance work between 1 April 2019 and 31 March 2024, 1,321 (93%) had been accepted or partially accepted by it, 847 (60%) had been implemented and 414 (29%) were work in progress.<sup>11</sup> In 2023-24, we reported that 95% of our recommendations had been accepted or partially accepted and 59% implemented. Our experts also spoke at 71 external events in 2024-25 (68 in 2023-24) on issues such as financial and risk management, major project delivery and digital transformation. We published eight good practice guides and seven lessons learned reports, bringing together our collective knowledge and findings from our seven specialist Insights teams.

## Our financial impact

- 1.44** We also measure our financial impact. In the 2024 calendar year, our confirmed financial impact was £5,273 million, which represents around £53 for every pound of our net expenditure. A list of financial impacts valued at more than £5 million and our methodology for calculating these is included on pages [182](#) to [187](#).

---

<sup>11</sup> The remainder of recommendations not classified as accepted or partially accepted are either rejected or still under consideration by departments, or we have no information yet on their acceptance.

## Achieving wider impact

### The prison estate

#### What we did

Our 2020 report '[Improving the prison estate](#)' found HM Prison and Probation Service's (HMPPS') capital budget allocations for prison maintenance were well below required levels and that the rate of cells lost to dilapidation had increased, adding to the challenge of managing the prison population. Moreover, HMPPS lacked detailed information on the condition of its prison estate and assets, preventing it from understanding the volume of required work.

We also warned that HMPPS faced a significant challenge in delivering additional prison places and needed a long-term strategy for the estate. Prison population pressures have increased since then, resulting in a prison system at full capacity. We published a follow-up report on prison capacity in 2024 '[Increasing the capacity of the prison estate to meet demand](#)', which re-iterated the need for a long-term, funded strategy and recommended HMPPS routinely publish its prison capacity projections to provide greater transparency to the public and Parliament.

#### Impact and outcome

To manage short-term challenges around the condition of the prison estate, HMPPS undertook or commissioned surveys to log all maintainable assets in the estate and identify those that are in poor condition. It is using these data to understand and prioritise the investment needed to ensure existing prison places remain in use and to inform how it uses public resources. For example, HMPPS estimated the cost to protect an existing cell from being lost to dilapidation varied from £8,600 to £12,700 per place, compared with around £220,000 to build a place at a recently opened prison.

To manage longer-term challenges around additional capacity, the government published a 10-year prison capacity strategy in December 2024, setting out plans to build 14,000 new prison places by 2031. This includes where, when and how the government will build new prisons and expand existing prisons through additional houseblocks and temporary accommodation. It also covers plans for developing contingency sites in case of further delays and an ambition to acquire new land, should additional prisons be needed in the future. The Lord Chancellor has also committed to make it a statutory requirement for government to publish prison capacity projections annually.

## Achieving financial impact

### Government's management of contingent liabilities

Contingent liabilities are a potential debt or obligation that might occur in the future but over which there is still uncertainty. Guarantees are a common example, where the guarantor might be called on to pay a debt at some point in the future. In 2015 we published a report looking into the government's **UK Guarantees scheme for infrastructure**, introduced in 2012 in response to adverse credit conditions that threatened to delay investment in UK infrastructure projects. The Scheme guaranteed that lenders to infrastructure projects would be repaid in full and on time, irrespective of project performance. Our report found that, by 2015, market conditions had become much less difficult, and we recommended that government take steps to ensure that it was rigorous and objective in ensuring that guarantees for projects were genuinely needed and that the projects supported would bring significant public value.

HM Treasury introduced new guidance for government departments and, in 2016, created what is now called the Financial Instruments & Transactions Advisory Group within the newly established UK Government Investments, to better understand and manage government's portfolio of contingent liabilities. This helped the government to avoid exposure on projects with unviable risk. In 2024 we estimated that this change, prompted by our work, had been worth billions of pounds to the government (see page **182** for details of the nearly £1.4 billion of financial impact we claimed in this case).

# Developing our people, digital technology and data capabilities

This section provides an overview of progress we have made in increasing our core, enabling capabilities: our people and our use of digital technology and data.

## Attracting, retaining and developing high-quality people

**1.45** We want to attract talented and diverse people and support them to become even better at what they do while ensuring that we have the skills and capabilities we need. We increased our full-time equivalent (FTE) permanent workforce by 72 in 2024-25, in response to a growing range of audit responsibilities relating to government organisational changes in February 2023, other additions to our audits including within the Nuclear Decommissioning Authority group, and as part of our plan to gradually contract out fewer of our whole audits. Feedback from our regular surveys of our people on their experience at the NAO showed an improvement in most areas in 2024-25 (**Figure 3**). Overall colleague engagement rates increased from 6.8 (out of 10) in 2023-24 to 7.0 in 2024-25, albeit still below the ambitious target level we set ourselves of 8.0.<sup>12</sup>

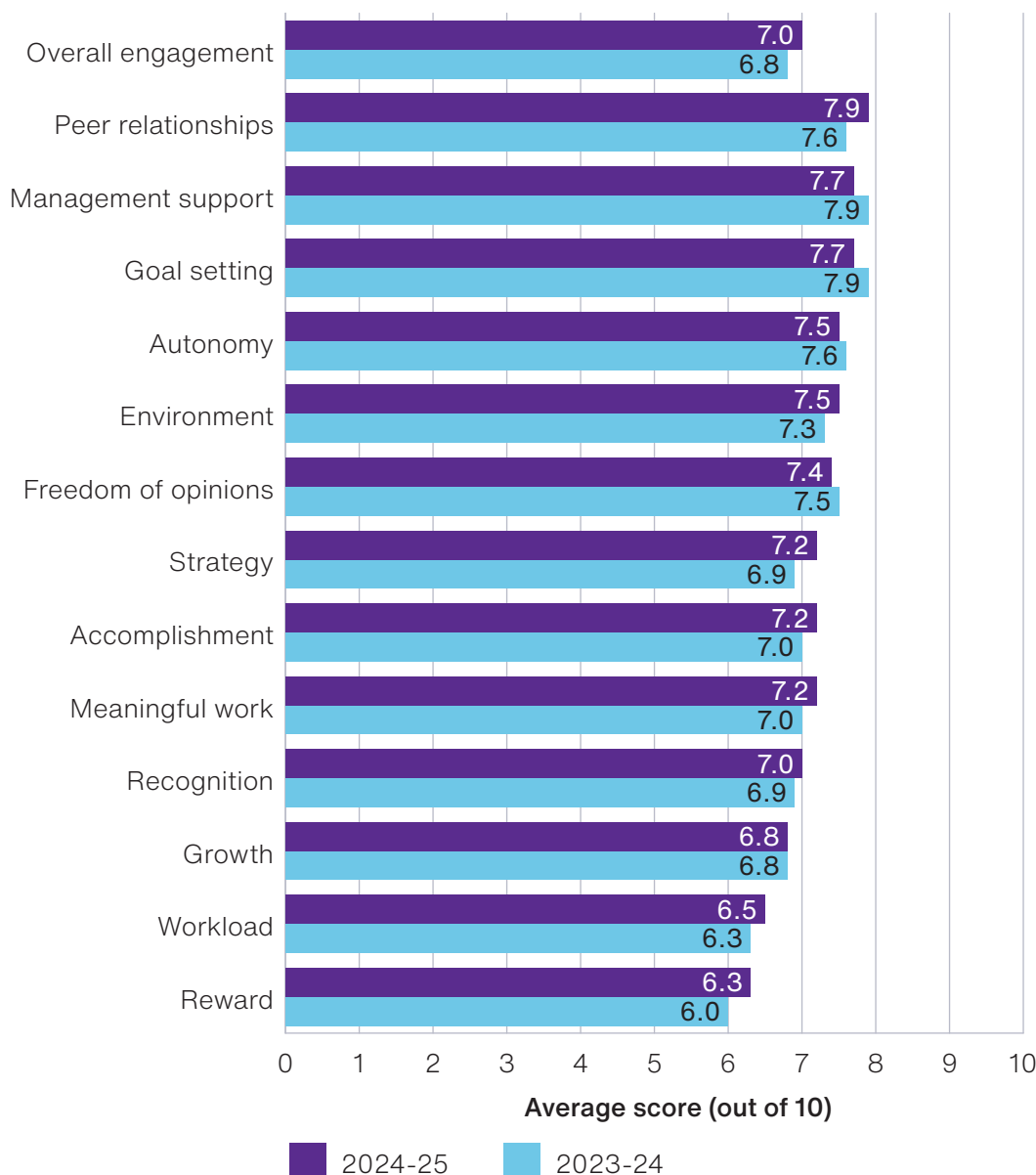
<sup>12</sup> By broad comparison, the Civil Service People Survey 2024 shows employee engagement at 64% (the equivalent of 6.4 out of 10). The methodology for calculating engagement rates will vary across surveys. The full results of the Civil Service People Survey are available at: [www.gov.uk/government/publications/civil-service-people-survey-2024-results/civil-service-people-survey-2024-results-highlights#employee-engagement-and-theme-scores](https://www.gov.uk/government/publications/civil-service-people-survey-2024-results/civil-service-people-survey-2024-results-highlights#employee-engagement-and-theme-scores)

**Figure 3**

## National Audit Office People Survey results, 2024-25 and 2023-24

Our scores improved in nine out of 14 areas this year

Drivers of satisfaction with work



**Notes**

- 1 The National Audit Office People Survey is a questionnaire survey of colleagues conducted using Workday Peakon Employee Voice.
- 2 We have a bank of 47 questions and give respondents the chance to provide other written feedback. The results are summarised under 14 drivers. Our survey measures levels of engagement, helps us to understand what motivates and supports our people, and helps us to measure the effectiveness of our interventions.
- 3 The 2024-25 scores presented are based on aggregated average scores (range from 0 to 10) from the 12 months to January 2025. The 2023-24 scores presented are based on aggregated average scores (range from 0 to 10) from the 12 months to January 2024.

Source: National Audit Office analysis of the Peakon People Survey



- 1.46** We saw a welcome reduction in our sickness absence rates over the last year, with an average 7.0 working days lost to sickness per colleague in 2024-25, compared with nearly nine days in 2023-24 and 6.6 days in 2019-20.<sup>13</sup> Our people survey scores are lowest in relation to reward and workload. We regularly review our overall reward package to colleagues, considering developments in the private firms and civil service, and our own recruitment and turnover levels. We are continuing to focus on workload jointly with audited bodies in the context of the need to certify accounts earlier and carry out more audit work in response to enhanced accounting and auditing standards. We are also continuing to develop our wellbeing approach, addressing workload pressures through careful resource planning and managing sickness levels proactively.
- 1.47** Our new strategy makes clear that we will invest in our people, supporting their performance and productivity, improving technical, digital and influencing skills and ensuring that workloads are manageable. In 2024-25, we made sure that changes to ways of working from our Audit Transformation Programme (ATP) were fully implemented. These changes were combined with financial auditor training to increase use of digital tools and address areas for improvement from quality review findings. For our VFM teams, we completed rolling out of the learning and development programme first introduced in 2023 and also introduced clearer expertise pathways for members of our Insights teams. Our plans for 2025-26 will draw on a recent review of our financial audit curriculum. Our forthcoming *Transparency Report 2024-25* gives more detail on our learning and development approach.<sup>14</sup>

---

13 Data for 2024-25 are provisional, based on management information to early April 2025.

14 See National Audit Office Transparency pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/>

**1.48** We have continued to make progress in creating a diverse and inclusive workplace (**Figure 4**). We reduced our gender pay gap to 1.7% by 31 March 2024 and are on course to eliminate it by 2027. In some other areas we have more to do.<sup>15</sup> Our ethnic minority pay gap was 14.5% at 31 March 2024. Most of our recruitment is of more junior grades, which means that, as we improve the diversity of our new recruits, it has the effect of widening rather than narrowing the pay gap in the short term. We expect to make more progress in reducing this gap over the next few years through our plan to improve ethnic minority progression following professional qualification. Our progress on diversity and inclusion is set out in our forthcoming *Diversity and Inclusion 2024-25 report*.<sup>16</sup>



<sup>15</sup> See National Audit Office diversity pay gap reports on our website at: <https://www.nao.org.uk/about-us/governance/transparency/#diversity-inclusion>

<sup>16</sup> See National Audit Office diversity and inclusion pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/#diversity-inclusion>

## Figure 4

### Percentage of women, ethnic minority and disabled colleagues, and colleagues from lower socio-economic backgrounds by grade, 2024-25 and 2023-24<sup>1</sup>

More women are now represented in National Audit Office (NAO) senior grades

Women	Target (All NAO)	2024-25	2023-24
Senior management <sup>2</sup>		49%	45%
Middle management		52%	51%
Other grades		49%	49%
<b>All NAO</b>	<b>50%</b>	<b>50%</b>	<b>49%</b>
<b>Ethnic minority</b>			
Senior management		12%	11%
Middle management		18%	14%
Other grades		33%	31%
<b>All NAO</b>	<b>35%</b>	<b>30%</b>	<b>26%</b>
<b>Disabled</b>			
Senior management		13%	12%
Middle management		13%	13%
Other grades		16%	17%
<b>All NAO</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>
<b>Lower socio-economic background (parental occupation)<sup>3</sup></b>			
Senior management		23%	19%
Middle management		27%	30%
Other grades		26%	25%
<b>All NAO</b>	<b>No target</b>	<b>26%</b>	<b>25%</b>

#### Notes

- 1 Data are at 31 March 2025 (2024-25 column) and 31 March 2024 (2023-24 column).
- 2 Senior management = executive director/director; middle management = senior audit manager/band 1; other grades = all other grades.
- 3 The percentage of people who are from lower socio-economic backgrounds uses a parental occupation measure. The occupation categories for those from lower socio-economic backgrounds are routine, semi-routine manual and service occupations, long-term unemployed, and technical and craft occupations.
- 4 Analysis excludes 'prefer not to say', 'other' and non-disclosure, which for office-wide figures was 2% for ethnicity, 4% for disability and 26% for socio-economic background; and, excludes non-binary, prefer not to say, and non-disclosure for 'women' calculations, which was 1%.

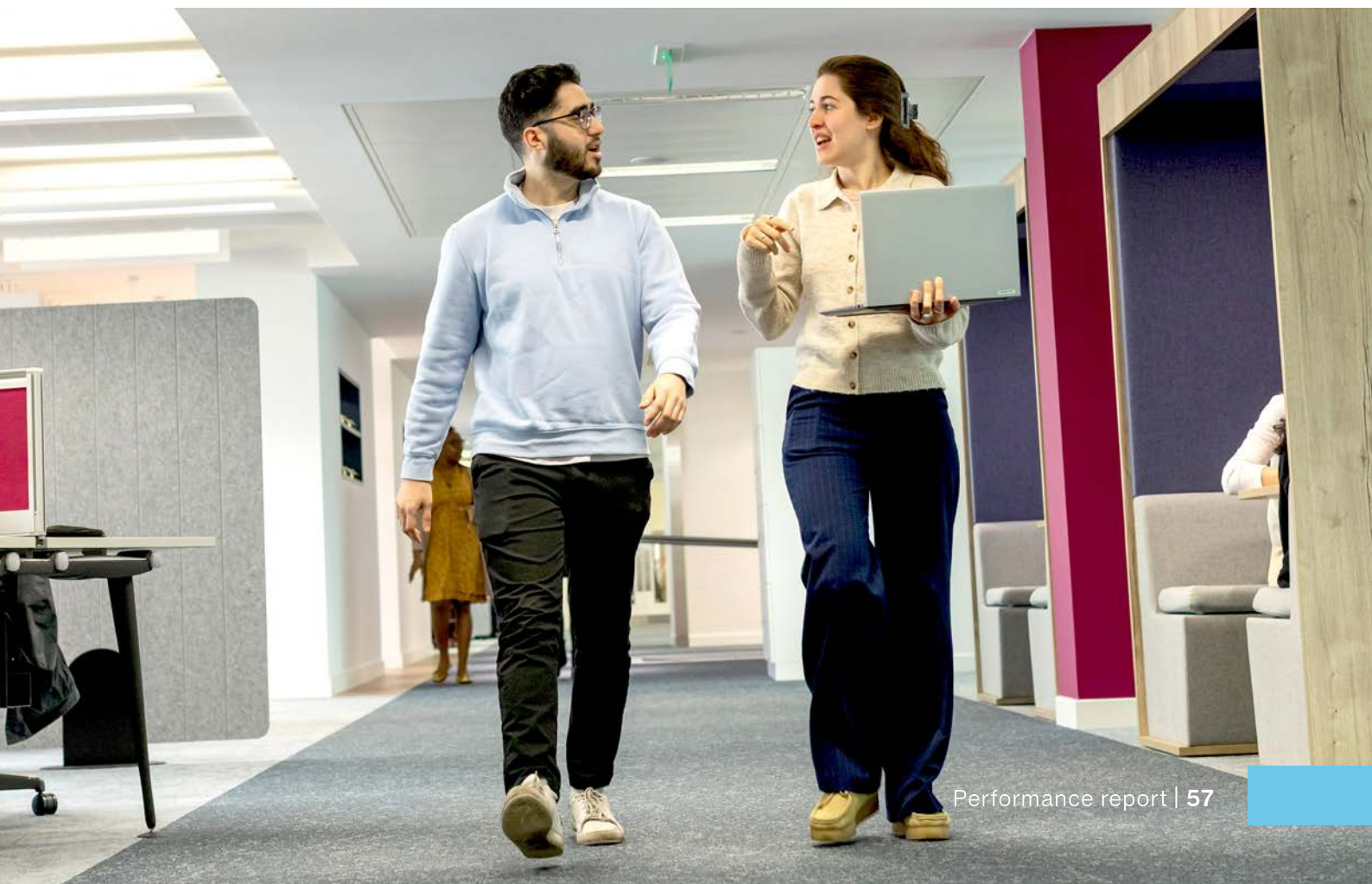
**Source:** National Audit Office analysis of Human Resources data

## Using digital technology and data effectively

- 1.49** We want to make the most of opportunities offered by new technology, including AI, to improve the quality, productivity and impact of our work. In 2024-25, we successfully used Apex, our new audit platform, for most of our 2023-24 financial audits. Apex brings more automation and standardisation to our work, providing the foundation for more efficient and higher-quality audit. Our challenge now is to ensure its benefits are fully realised. During the year, we appointed two new directors who have extensive experience from large private sector audit firms to help us further build our capabilities in data acquisition, data analytics and AI as we implement our new strategy. We also started to introduce new data controls in 2024-25, including further categorisation of documents and emails, as part of ongoing work to mitigate the significant risks presented by digital data loss and to support continuous improvement in records management.
- 1.50** Alongside Apex, we implemented other new data and digital analytic solutions to support our financial audit work in 2024-25. These include an updated journal analytics tool which increases automation using a machine learning algorithm and makes analysis of the fraud risk in an audited body's general ledger more systematic and easier to do; and an off-the-shelf tool called 'Data Snipper' to speed up routine audit testing tasks. We also tested a digital approach which aims to reduce the time taken to obtain data from audited bodies and add it into our analytics platforms. We further developed our approach to auditing complex government models, building our own reproductions of some models, which reduces the review time for these models by about two-thirds. We trialled IT controls testing to further enhance audit quality and reduce the volume of detailed sample testing, where we have confidence in audited bodies' systems and controls. In our VFM and wider assurance work, we used data analytics to automate data collection and derive new insights from large datasets, and used data visualisation techniques to help us better explore and interpret findings.



**1.51** Results from our people survey in 2024-25 show that the proportion of colleagues reporting that they can find the information needed to do their work effectively, and who say that they have the right materials, and tools to do their work has increased since last year (7.0 and 7.6 out of 10 respectively, in 2024-25, compared with 6.8 and 7.5 in 2023-24). While this is welcome, we want to make further improvements. In 2025-26, we will implement a new data strategy for how we access, collect, manage and analyse data, and we will continue to invest in our data analytics tools and technologies, including AI. These investments will further streamline and automate routine tasks, enabling our teams to focus their time and expertise on audit judgements that really matter, while improving our productivity.





# Working productively and with resilience

This section describes the steps we are taking to further improve our productivity and resilience, and summarises our financial performance in 2024-25

## Effective use of resources

- 1.52** We continue to focus on our own productivity. This is partly about how we develop and support our colleagues, but it is also about how we allocate our resources. We ensure that at least 80% of our budget is spent on front-line audit and that our senior auditor practitioner grades spend 85% to 90% of their day doing audit work, keeping time allocated to administrative tasks to the minimum necessary. High-quality productive corporate support teams enable us to achieve these high levels of utilisation. In 2024-25, we invested further in critical business support functions such as digital, information security, and technology, ensuring that we continue to support the increase in front-line audit teams and our ATP. We made changes to how we access and share knowledge, and we are exploring the potential benefits of new and emerging technologies such as AI to further increase the productivity of our operations.
- 1.53** To further maximise the value we get from our main office in London, we took the decision recently to increase the space we can rent out to other organisations to more than half the usable area. To make this possible, we are updating our floors to make our reduced area function better for hybrid working. Full occupancy of the space we have available to rent would generate at least £3 million per year to offset the running costs of the NAO to Parliament, subject to market demand. In 2024-25, our rental income was £2.1 million.
- 1.54** Each year we gain external assurance on the efficiency and effectiveness of our operations. For 2024-25, the Public Accounts Commission (TPAC) agreed to an external auditor review of our investment in Insights teams, a key strand of our 2020-2025 strategy.

Crowe UK completed its review in early 2025 and assessed that our investment was value for money for our organisation. Crowe UK has completed other studies of our operations in recent years, including our financial audit work, finance and human resources functions, concluding that these worked effectively for our organisation.<sup>17</sup> In its 2023-24 review, Crowe UK noted that our ATP was, in multiple aspects, an exemplar in programme delivery and partnership working.

## Identifying and managing fraud risk

- 1.55** We accept a very low level of risk relating to fraud, and exercise zero tolerance where incidents occur, following response protocols regardless of how low value the fraud may be. Our approach to identifying and managing fraud risk is captured in our Counter Fraud Plan, which sets out our assurance framework for preventing and detecting fraud, bribery or corruption involving colleagues, or perpetrated against the NAO by its suppliers or others. The plan links to a wider range of policies, procedures, standards, guidance and other requirements and is maintained and reviewed by a dedicated Counter Fraud Group chaired by the chief operating officer and overseen by the NAO Board's Audit and Risk Assurance Committee (ARAC).
- 1.56** The Counter Fraud Group maintains a specific risk register that focuses on risks of fraud which could affect our assets, IT systems and software, people, finance and governance as well as the integrity of our audit practice. The approach we take to managing these risks combines a strong ethical culture, policies and tools to deter fraud. These include our code of conduct, which all colleagues sign annually, a preventative framework of internal control, and processes for detecting and responding to fraud, such as proper investigation of whistleblowing correspondence and an annual programme of internal audit targeting fraud risk.
- 1.57** The fraud risk register is reviewed at each meeting of the Counter Fraud Group (usually three times a year) and risks within it can be escalated to the organisation-wide corporate risk register. Currently, fraud is not categorised as a strategic, stand-alone risk in our corporate register. This reflects our assessment that the system of risk management and internal control relating to fraud is adequate and effective and that

---

<sup>17</sup> We publish these external auditor reports on our website at: [Governance and transparency – National Audit Office \(NAO\)](#)

the level of residual risk is low. This view is based on the work of the Director of Internal Audit & Assurance and the volume and nature of whistleblowing, other incidents and any intelligence received. We revisit this assessment at each meeting of the Counter Fraud Group.

## Increasing our climate resilience and reducing our environmental impact

**1.58** Climate change has implications for both our business operations and our audit and assurance role. We consider the risks and opportunities it presents from three perspectives.

- First, through our business operations and estate, including work ongoing to achieve our ambition to remove our reliance on gas to heat our buildings and water and only purchase electricity from renewable sources by 2029.<sup>18</sup>
- Second, through our programme of VFM work, where our ambition is to contribute to securing more climate-resilient and less carbon-intensive public services, in line with government ambitions.
- Third, through our developing work on sustainability reporting and assurance, where our objective is to help the government secure the most value from new reporting requirements, for Parliament and for decision-makers in government.

We set out our approach to climate change and environmental sustainability below, using HMT guidance on applying the TCFD framework.

### TCFD-aligned disclosures

**1.59** HMT guidance invites public bodies, and mandates central government departments and their larger arm's-length bodies, to make climate-related disclosures in their annual reports covering four thematic areas: governance, strategy, risk management, and metrics and targets. We have elected to report voluntarily on these and are using

---

<sup>18</sup> We comply with environmental legislation and assess our impact using an ISO 14001:2015 certified environmental management system.

the implementation schedule set out in HMT guidance, reporting recommended disclosures on governance, risk management and metrics and targets this year.<sup>19</sup>

**1.60** Our overall assessment is that climate-related risks are a significant component of several strategic risks to our performance and reputation. Parliament, especially, is likely to have a strong interest in how we are managing climate risk and opportunities because of our role in supporting it to hold government to account on managing the long-term value-for-money risks associated with this issue and because it funds much of our work and operations.

## Governance

**1.61** Our governance of climate risks and ambitions is summarised below.<sup>20</sup>

- The C&AG and Head of the NAO, Gareth Davies, is our Accounting Officer and, as such, is responsible for managing our climate risks and ambitions across all three aspects of our work (see more about the statutory role of the C&AG in the Governance statement below).
- The NAO's Executive Team supports the C&AG in the exercise of his statutory duties and has collective responsibility for our climate-related work. As part of its role, the Executive Team considers our risk position across the breadth of our activities at each monthly meeting and conducts deeper dives of individual or groups of risks, based on their risk level. The Executive Team also receives quarterly updates and an annual report from our 'net zero project' on progress in reducing carbon emissions from our business operations and estate.
- Individual members of the Executive Team hold day-to-day responsibility for each aspect of our climate-related work.
- Our chief operating officer, Rebecca Sheeran, is accountable to the C&AG for the sustainability of our business operations and estate. To support her role:

---

<sup>19</sup> We will report on the 'Strategy' theme in 2025-26 in line with HMT's phased implementation schedule.

<sup>20</sup> Also see the Governance statement in the Accountability report for more details.

- a 'net zero carbon project' co-ordinates work to reduce our carbon from our business operations and estate;
- a dedicated *Decarbonisation of Buckingham Palace Road (BPR)* project was formed in 2024-25 with external expert input to oversee specific proposals for our London estate; and
- a wider group of NAO colleagues, the Sustainable Office Group, which meets quarterly and is chaired by the chief operating officer, advises on the sustainability of our operations and estate, the NAO's environmental policy and plans, and meeting environmental statutory requirements.
- Our executive director job-share partnership of Laura Lucking and Verity Prime is accountable to the C&AG for environment and climate change issues in our VFM programme. They are also accountable to the C&AG for our developing work on sustainability reporting and assurance, coordinating with other members of the Executive Team responsible for our VFM and Financial Audit workstreams. To support our VFM and sustainability reporting work we established:
  - An Environment & Climate Change Insights team in 2024-25 to build the NAO's skills, influence and programme of work on environment and climate change, to encourage the value for money of government's delivery of its goals; and to be a catalyst for improved sustainability reporting and assurance practices in the public sector.
- The NAO Board provides oversight of the management of our resources and advises on the exercise of the C&AG statutory functions. It supports and respects the independence of the C&AG. The Board receives an overview of our organisation-wide risk position at each meeting and monitors progress in reducing carbon emissions from our business operations and estate. The ARAC conducts reviews of our risk management and internal control framework, governance arrangements, and the quality and reliability of financial reporting on behalf of the Board.



## Risk management

- 1.62** Our risk methodology is set out in the Governance statement below. Any risk with a significant climate component is identified and quantified alongside other risks, using a common framework and process. We take steps to reduce our risk ‘exposure’ where the level of risk exceeds our target (the level within which we aim to operate). Risks that could materially affect our performance or reputation are included as strategic risks in the NAO’s corporate risk register. The chief operating officer is responsible for the NAO’s risk methodology, and executive directors own individual risks and review these at monthly Executive Team meetings. We benchmark our risk management approach using best practice guides including the government’s Orange book and the [\*\*\*Climate change risk good practice guide\*\*\*](#) developed by our Financial and Risk Management Insights team.
- 1.63** Our corporate risk register logs a specific risk linked to a wider reputational risk that we fail to achieve our carbon reduction target for our estate by 2029. Our progress towards this relatively ambitious target depends in large part on being able to install a low-carbon heating system to replace the ageing gas boilers in our London office. We are continuing to investigate what is practical and will engage Parliament on the best route forward in due course.
- 1.64** Our role in auditing and assuring the government’s management and reporting of climate risk is significant, and it matters that we do this well, as part of our wider focus on quality and impact. As such, climate is an important component of strategic risks targeting the quality of our VFM and financial audit work and our impact on government, but not one that is set out explicitly in our current corporate risk register. We expect to do more in 2025-26 to consider and articulate the relevance of climate to these wider strategic risks. In the meantime, our forming of a new multidisciplinary Environment and Climate Change Insights team is a key response here.

## Metrics and targets

### Target for our estate

**1.65** We are working towards net zero carbon emissions. We have set an ambition to eliminate our Scope 1 and Scope 2 carbon emissions from our estate by 2029, and we aim to achieve net zero across our wider operations (Scope 3 emissions) as soon as possible thereafter.<sup>21</sup> We will do this partly by only purchasing electricity from renewable sources, and by reducing the carbon that comes from our business travel, commuting, waste and our supply chain. Our progress, however, depends in large part on being able to install a low-carbon heating system to replace the ageing gas boilers in our London office and we are continuing to investigate what is practical. Our performance to date in reducing emissions from our estate and wider operations, from a 2017-18 baseline, is shown in the Annex and summarised in **Figure 5**.

### Greening Government Commitments

**1.66** We also use the metrics and targets in the government's *Greening Government Commitments 2021 to 2025* sustainability framework to guide our approach. Figure 5 describes our performance against these commitments, and our full sustainability data covering greenhouse gas emissions, waste and water is included in the Annex.

### Other metrics

**1.67** We track our reputation with Parliamentarians and audited bodies through regular surveys and will provide further analysis on our decarbonisation plans for our London office to TPAC in due course. We also routinely monitor and assess environmental incidents affecting our premises. As part of the framework for measuring and reporting on the implementation of our new five-year strategy, we expect to provide metrics and qualitative information on our VFM work targeting the government's approach to resilience, including climate resilience. We also expect to report metrics on the government's progress in implementing TCFD-aligned reporting in future.

---

<sup>21</sup> Scope 1 are direct emissions such as from on-site boilers. Scope 2 are indirect emissions from the energy we purchase.

## Figure 5

### National Audit Office (NAO) progress against the Greening Government Commitments (GGC), 2021 to 2025

We have achieved most GGC target commitments

Commitment	Sub-commitment	Progress	Commentary
<b>A. Mitigating climate change: working towards net zero by 2050</b>			
Reduce the overall greenhouse gas emissions, and direct emissions from estate and operations, from a 2017-18 baseline.		Achieved	A 50% reduction in Scope 1 and 2 emissions since 2017-18. Significant further progress will depend substantially on our London decarbonisation project.  A 40% reduction in Scope 3 business travel emissions since 2017-18.
	Reduce emissions from domestic business flights by at least 30% from a 2017-18 baseline, and report the distance travelled by international business flights.	Achieved	Domestic business flight emissions reduced by 70% on 2017-18.  Travelled 898,666 miles (1,446,260 km) by international business flights in 2024-25.
	Update organisational travel policies so that they require lower-carbon options to be considered first as an alternative to each planned flight.	Achieved	NAO travel policy updated.
<b>B. Minimising waste and promoting resource efficiency</b>			
Reduce the overall amount of waste generated by 15% from a 2017-18 baseline.		Achieved	A 34% reduction since 2017-18 (excluding one-off waste of 31 tonnes generated in 2024-25 from our London office refurbishment)
	Reduce the amount of waste going to landfill to less than 5% of overall waste.	Achieved	3% of waste to landfill.
	Increase the proportion of waste which is recycled to at least 70% of overall waste.	Achieved	76% of waste recycled.
	Remove consumer single-use plastic from the office estate.	Ongoing	Our waste policy mandates the removal of single-use plastics. We are working with suppliers and are continuing to refine our approach.
	Measure and report on food waste by 2022.	Achieved	Food waste is measured. An 89% reduction since 2017-2018.

Commitment	Sub-commitment	Progress	Commentary
	Reduce paper use by at least 50%	Achieved	An 83% reduction in paper purchased since 2017-18.
	Report on the implementation of waste re-use schemes.	Achieved	Our waste is sorted on-site and taken to be recycled. Any items placed into 'general waste' bins are put through a sorting process to extract anything which can be recycled. The remaining waste is then sent to a combined heat and power plant where it is burned to produce heat and electricity for the National Grid.
<b>C. Reducing our water use</b>			
Reduce water consumption by at least 8% from a 2017-18 baseline.		Not achieved	A 9% increase since 2017-18 (a failed rainwater harvesting valve contributed to an increase in water consumption in our London office in 2024-25, now resolved)
	Ensure all water consumption is measured.	Achieved	All water consumption is measured.
	Provide a qualitative assessment to show what is being done to encourage efficient use of water.	Achieved	A water policy is in place for both offices. We have several water-saving initiatives, including leak detection systems, dual flushing buttons and rainwater harvesting.
<b>D. Procuring sustainable products and services</b>			
Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society.		Achieved	A lot of NAO procurement is through government frameworks, which apply the government's sustainable procurement buying standards and sustainability criteria. When we run a full competitive tender, suppliers are assessed in line with these standards and criteria. The new Procurement Act 2023 also permits us to take a broader view of value in future buying decisions, enabling a stronger focus on sustainability. For our current supply chain, we are now inviting strategic suppliers to provide annual carbon emissions data to inform our management approach as part of a wider effort to influence behaviours.

Commitment	Sub-commitment	Progress	Commentary
<b>E. Nature recovery: making space for thriving plants and wildlife</b>			
Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver nature recovery plans for their land, development and operations. All other organisations should consider what they can do to support this commitment.		Achieved	We have a small, landscaped area at our London office to enhance the local ecology, increase native species within the local area, improve the appearance of our surroundings and provide a pleasant space for colleagues to spend time.
<b>F. Adapting to climate change</b>			
Develop an organisational Climate Change Adaptation Strategy across estates and operations.		Ongoing	We developed a project plan and pathway for our estate and operations in 2022 following an earlier risk assessment, engaging NAO colleagues through wider communications and related training. We continue to keep in view our adaptation needs and approach alongside our work on decarbonisation.
	Establish clear lines of accountability for climate adaptation in estates and operations and engage in wider governance and risk structures when appropriate.	Achieved	See Taskforce on Climate-related Financial Disclosure-aligned (TCFD) governance disclosure above.
	Transparent reporting – provide a summary of how we are developing and implementing a Climate Change Adaptation Strategy.	Ongoing	See above.
<b>G. Reducing environmental impacts from ICT and digital</b>			
Report on the adoption of the 'Greening Government: ICT and digital services strategy' and associated targets, and provide membership to the Sustainable Technology Advice and Reporting Team.		Achieved	We have established a baseline carbon footprint for our digital service and are now receiving data from Microsoft on our carbon usage for Azure cloud services. We continue to be members of the government's Sustainable Technology Advice and Reporting Team (STAR) and have extended the lifecycle of some IT equipment subject to regular assessments of security and performance.



Commitment	Sub-commitment	Progress	Commentary
<b>Other reporting: sustainable construction</b>			
Where significant construction or refurbishment projects have been undertaken during the reporting period	Explain how sustainability was embedded into the selection and contracting process for the main contracting parties. Compare the success of any projects to standards for construction and refurbishment projects	Refurbishment is ongoing	In 2024-25, we started a two-year refurbishment project of the floors we occupy in our London Office. Sustainability is a key consideration in our planning and implementation and selection of our contractors. We will assess the sustainability standards achieved in practice and the amount of carbon created by the refurbishment on completion.

#### Notes

- 1 In relation to Commitment A, the National Audit Office does not have a car fleet and does not compensate for carbon emissions.
- 2 The Annex provides more detailed sustainability data. The government plans a new target framework and emissions methodology from 2025-26.
- 3 Further information on sustainable construction: In 2023-24, we moved to a different Newcastle office, a new building rated BREEAM 'Excellent' and with an energy performance rating of 'A' and estimated to have reduced our carbon emissions from our Newcastle premises by around three-quarters. We calculated that this exercise created 53.8 tonnes of CO<sub>2</sub>e, which compares favourably with industry standards for refurbishment projects (but note that we benefitted from the move to new premises, which involved no disposal work).

Source: National Audit Office analysis of environmental data

## Financial performance

**1.68** We aim to demonstrate strong financial management of budgets prepared in line with the Public Spending Framework. Parliament authorises separate resource, capital and cash budgets, and these provide control limits for our spending. Our outturn against budget is shown in **Figure 6** (bold numbers are our control limits).

### Figure 6

#### National Audit Office (NAO) financial performance, 2024-25

Our expenditure was within budget

	Estimate	Outturn	Variance	Variance
	(£mn)	(£mn)	(£mn)	(%)
Total resource expenditure on audit and assurance work	130.5	132.3	1.8	1.4
Less: income	28.6	32.1	3.5	12.2
Net resource expenditure on audit and assurance work	<b>101.9</b>	100.2	-1.7	-1.7
Net capital expenditure	<b>4.3</b>	4.2	-0.1	-2.3
Cash expenditure	<b>101.5</b>	100.6	-0.9	-0.9

#### Notes

- 1 See the NAO's Statement of Comprehensive Net Expenditure and associated notes in the Financial Statements for more detail. The above excludes non-voted expenditure items, such as the Comptroller and Auditor General's and Chair's salaries, which are paid directly by Parliament and are outside the control of the NAO.
- 2 Figures in bold are the control limits voted on by Parliament.
- 3 Figures may not sum due to rounding, and variances presented are based on the rounded values.

Source: National Audit Office analysis of financial data

## Audit and assurance work

**1.69** Our audit and assurance work consists of our financial audits, VFM studies, responsive work, international work and direct support to Parliament. Our total resource expenditure of £132.3 million was £1.8 million more than our budget. Our resource expenditure on audit and assurance work is made up of the following.

- **Staff salaries and staff-related costs** make up 70% of total resource expenditure and cover the use of permanent and temporary staff. We spent £92.6 million on these costs, which was £1.0 million more than budget. The variance reflects a greater use of temporary staff than planned to help manage our workload during peak audit months in the year. The volume and timing of audit work may vary from plans during the year, as we often need to respond to emerging issues and risks at short notice. Where extra costs are incurred on fee-based audits, we seek to recover these through audit fees.
- **Non-staff costs** make up 30% of total resource expenditure and cover payments to partner audit firms who assist with our audit work, audit travel, audit technology and data security investments, the running of our London and Newcastle offices and business support operations, and annual depreciation of our assets. We spent £39.7 million on these costs, which was £0.7 million more than budget. The variance reflects the greater use of specialist advice to provide independent expertise over complex accounting judgements, as required by audit standards.

## Income

**1.70** Parliament directly funds around 80% of our audit and assurance work, including the financial audits of major government departments and our VFM studies, with the rest of what we do funded from income earned. We charge an audit fee for the financial audit of those bodies or public companies who operate at an arm's-length to government. We also earn revenue from the rental of surplus office space, and from providing services to overseas bodies.

**1.71** We earned £32.1 million, which was £3.5 million more than budget. The additional income reflects negotiation of audit fees to recover the extra costs associated with some of our audits.

## Capital expenditure

**1.72** A capital budget permits us to purchase assets whose use extends beyond a year. Our capital budgets will vary from year to year, according to need and depending on asset replacement cycles. This budget typically covers the purchase of IT equipment, software assets and building enhancements.

**1.73** Our capital expenditure for the year was £4.2 million, very close to our budget of £4.3 million. The spend included the first phase of our refurbishment of the London office, as well as the completion of building our new audit software platform.

## Cash expenditure

**1.74** We made net cash payments of £100.6 million against a budget of £101.5 million, a variance of £0.9 million. The variance reflects the timing of payments and receipts of invoices at the year end, which can be difficult to anticipate.

## Assets and liabilities

**1.75** The assets and liabilities of the NAO are set out in the Statement of Financial Position in the financial statements. This shows that our net assets (property, amounts due in respect of audit fees and amounts payable to employees and suppliers) increased by £1.4 million, from £95.6 million at 31 March 2024 to £97.0 million at 31 March 2025.

**1.76** The change in net asset value was driven by the following.

- An increase in our non-current assets of £1.1 million, which reflects changes in the market value of our London office and other capital investments, including work to start the refurbishment of our London office, purchase of IT equipment, and the continued development of new audit software, offset by depreciation. Our main assets are our London office, held on a very long peppercorn lease with around 85 years remaining, and our Newcastle office, held on a 10-year lease until 2033.
- An increase in our current assets of £0.5 million, reflecting changes in the timing of payments from audited bodies invoiced as well as other debtors, such as tenants of our buildings.
- An increase in liabilities of some £0.2 million, reflecting the timing of payments due to our suppliers.

## Resources for future years

**1.77** TPAC approved our budget for the year ending 31 March 2026, a net resource requirement of £111.0 million, after income of £34.5 million, a £4.0 million capital budget and a £110.5 million net cash requirement.

**1.78** The net resource requirement for 2025-26 is an increase of 8.9% on the budget for 2024-25 and will ensure that we can continue to invest in improving audit quality, contribute towards the expected growth in our audit portfolio, and help us retain and attract staff with the right level of skills. Specifically, the annual change of 8.9% includes:

- 2.5% extra resources for specialist advice in line with an increasing quality bar and the new complex arrangements entered into by our audited bodies;



- 1.5% additional funds in respect of new bodies and responsibilities. This is the 'one-off' start-up cost of taking on new work; routine audit costs will be recovered directly from the audit body through fees; and
- an allowance for a 3.5% pay award (comparable with the civil service over a two-year period) and 1.4% of extra money to fund additional employer national insurance contributions (a legislative change introduced in the 2024 autumn budget).

**1.79** The capital budget for 2025-26 is a reduction of £0.3 million on the amount originally budgeted for 2024-25. Capital plans are linked to asset replacement cycles and will vary year on year. Next year's budget will allow for partial replacement of our laptops which are reaching the end of their useful life and completion of the refurbishment of the London office.

**1.80** **Figure 7** shows our expenditure over the last five years and our spending plans for the next three.

## Figure 7

### National Audit Office (NAO) resources from 2020-21 to 2027-28

We expect the number of organisations that we audit to grow over the next few years.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Audit and assurance work	98.5	103.6	109.7	122.0	132.3	145.5	150.9	153.9
Less: income	24.6	25.4	26.7	29.7	32.1	34.5	37.6	40.2
Net resource expenditure	73.9	78.2	83.0	92.3	100.2	111.0	113.3	113.7
Capital expenditure	1.1	1.9	8.4	3.0	4.2	4.0	3.6	2.7

#### Notes

1 Numbers are shown in nominal terms and do not consider inflation over this period.

2 Provisional budgeted amounts shown from 2025-26 onwards.

Source: National Audit Office analysis of financial data

- 1.81** The growth in expenditure over this period reflects the growth in our audit portfolio, the demands of revised audit quality standards, and our investments in using technology in audit, including new audit software, methodologies and improved management information. We moved into new office space in Newcastle and are refurbishing our London office currently, ensuring a modern, productive and attractive working environment.
- 1.82** Our plans do not yet include provision for costs associated with the decarbonisation of our London building. As a heritage asset, this may require special treatment to configure new energy systems. However, the likely timing and costs associated with this transition will be determined by further technical assessments.

**Gareth Davies**  
**Comptroller and Auditor General**  
**24 June 2025**

# 02

---

## Accountability report

---

# Accountability report

---

The Accountability report includes the Corporate governance report, Remuneration and staff report and Parliamentary accountability and audit report, which, along with the Independent Auditor's Certificate and Report, contribute to our accountability to Parliament.

---

# Corporate governance report

**2.1** This section explains the governance structures at the National Audit Office (NAO) and how they support the achievement of our objectives.

## Directors' report

**2.2** The directors of the NAO are the Executive Team and the non-executive Board members, whose details are set out below.

### Register of interests

**2.3** The Executive Team and Board members must complete a declaration of interests. There were no declarations of significant company directorships or other interests that may have conflicted with their management responsibilities. No member of the Executive Team or Board had any other related-party interests.

### Pension liabilities

**2.4** Most past and present NAO employees are covered by the provisions of the Principal Civil Service Pension Scheme and, more recently, the Civil Servants and Others Pension Scheme. Both are defined benefit schemes. Employees may opt to join a personal stakeholder pension scheme instead, providing it meets the minimum criteria set by government. Further information on pension liabilities is set out in the Remuneration and staff report, and in Notes 1.5 and 1.6 of the Financial statements.



## Personal data incidents

**2.5** No protected personal data-related incidents were reportable to the Information Commissioner's Office in 2024-25.

## Auditor of the NAO

**2.6** The Public Accounts Commission (TPAC) re-appointed Crowe U.K. LLP as our external auditor on 6 March 2024. In addition to the audit of our annual accounts, Crowe U.K. LLP undertakes a value-for-money (VFM) review of the NAO annually, provides assurance over the Statement of NAO's Financial Impact and advises on various matters as required. Full details of remuneration for both audit and non-audit work are disclosed in Note 4 of the Financial statements.

## Other disclosures

**2.7** Some disclosures required within the Directors' report have been included elsewhere in the Annual Report. Disclosures on employment and training and people engagement are in the 'Developing our people, digital technology and data capabilities' section of our Performance report, which begins on page [51](#). Additional information is included in the Remuneration and staff report, which begins on page [108](#). Future developments affecting our business are disclosed in the Performance report under 'Financial performance', which starts on page [69](#).

## Statement of Accounting Officer's responsibilities



**Gareth Davies**

Under the Budget Responsibility and National Audit Act 2011, the NAO is required to prepare, for each financial year, resource accounts detailing the resources it has acquired, held or disposed of, and the resources it has used during that year. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NAO and of its income and expenditure, Statement of Financial Position and cash flows for

the financial year. In preparing these resource accounts, I, as the Comptroller and Auditor General (C&AG), adopted the government Financial Reporting Manual (FRoM) issued by HM Treasury, and have:

- observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the FRoM, have been followed, and disclosed and explained any material departures in the resource accounts; and
- prepared the resource accounts on a going concern basis.

The Public Accounts Commission has appointed me, the C&AG, as Accounting Officer for the NAO. The responsibilities of an accounting officer are set out in *Managing Public Money*, issued by HM Treasury. They include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NAO's assets.

As the Accounting Officer, I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the NAO's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

## Governance statement

**2.8** As Accounting Officer, and working together with the NAO Board, I have responsibility for maintaining effective governance, risk management and a sound system of internal control that supports the achievement of the NAO's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, under the responsibilities assigned by TPAC.

### Budget Responsibility and National Audit Act 2011

**2.9** The [Budget Responsibility and National Audit Act 2011](#) established the NAO as a body corporate on 1 April 2012. Schedule 2, 24(1) of the Act requires the NAO to prepare resource accounts.

### The NAO Board and Executive Team



**Dame Fiona Reynolds**

**Non-executive director | Chair of the NAO Board**

Appointed: 10 January 2021. Dame Fiona was reappointed for a second three-year term commencing on 10 January 2024

Dame Fiona Reynolds has had a long career in the voluntary and public sectors, including as Director-General of the National Trust from 2001 to 2012. Before joining the National Trust, she was Director of the Women's Unit in the Cabinet Office from 1998 to 2000, Director of the Council for the Protection of Rural England (now Campaign to Protect Rural England) from 1987 to 1998, and Secretary to the Council for National Parks (now Campaign to Protect National Parks) from 1980 to 1987. Between 2012 and 2021, she was Master of Emmanuel College, Cambridge. She was chair of the International National Trusts Organisations from 2012 to 2021 and non-executive director of Wessex Water Services from 2012 to January 2025. Dame Fiona holds a number of other non-executive roles. She is Chair of the Governing Council of the Royal Agricultural University, the Food, Farming and Countryside Commission, the Cathedrals

Fabric Commission for England, Cambridge University's Botanic Garden Syndicate and its Bennett Institute for Public Policy. She is a trustee of the Grosvenor Estate and an Honorary Fellow of the British Academy.



**Gareth Davies**

**Comptroller and Auditor General | NAO Board |  
Chair of the Executive Team**

**Appointed: 1 June 2019**

Before his appointment as C&AG, Gareth was Head of Public Services at Mazars, a global accountancy firm specialising in audit, tax and advisory services. Prior to this, he was Managing Director of the Audit Commission's Audit Practice. His experience spans financial and VFM audit, organisational leadership and board governance. Gareth is a fellow of the Chartered Institute of Public Finance and Accountancy and a fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions in developing countries to sustainably enhance their performance and capacity.



**Gaenor Bagley**

**Non-executive director | NAO Board | Chair of the Audit  
and Risk Assurance Committee | Chair of the Audit  
Quality Board from July 2024**

**Appointed: 1 January 2021. Gaenor was reappointed for a further three-year term commencing on 1 January 2024.**

Gaenor combines a chartered accountancy qualification with extensive and innovative HR experience within a professional services environment and very strong understanding of audit and finance, merger and acquisition and corporate social responsibility. She has broad experience across the public and private sector. During her 30 years in professional services she has held a variety of leadership and board positions, including five years to 2016 on the PricewaterhouseCoopers (PwC) UK Board as head of people. She has also been a member of the UK Tax

Leadership team at PwC. Gaenor holds a number of non-executive appointments including Chair of the Audit Committee of Zopa Bank Ltd, non-executive director of Octopus Titan VCT, external council member and Chair of the Remuneration Committee of Cambridge University and Chair of TKAT Multi-Academy Trust.



**Sir Martin Donnelly**

**Non-executive director | Senior independent director | NAO Board | Chair of the Remuneration and Nominations Committee**

**Appointed:** 1 January 2021. Sir Martin was reappointed for a further three-year term commencing on 1 January 2024.

Sir Martin has experience across a range of government departments and public bodies. He was a Permanent Secretary from 2010 to 2017, leading the Department for Business Innovation & Skills for six years, then setting up the Department for International Trade. He has worked as a senior civil servant in HM Treasury, Cabinet Office, Foreign & Commonwealth Office and Home Office, and served as a non-executive director of GCHQ for five years. Sir Martin is a trustee of several charities including The Royal Anniversary Trust and the Oxford Centre for Islamic Studies, and he continues to work to promote greater gender diversity in the workplace. He was president of Boeing International Europe from 2019 to 2022 and chairs the South Yorkshire Combined Authority business taskforce.



**Alistair Conner**

**Non-executive director | NAO Board | Audit and Risk Assurance Committee**

**Appointed:** 1 February 2023

Alistair is Deputy CEO of Time Partners, a specialist investment banking firm. He has an extensive career history both in the Royal Air Force and the financial services sector, including 13 years at UBS, where he became the UK Chief Operating Officer in 2014 and was promoted to Managing Director in 2015.



Following UBS, he joined Credit Suisse, where he was a PRA-regulated senior manager, UK Chief Operating Officer and an Executive Director on the Board of CS UK (Ltd). From April to July 2021, he advised the Bank of Ireland as lead strategic wealth management consultant during their acquisition of Davy, Ireland's largest wealth manager. Alistair holds a Degree in Mathematics and Theoretical Physics from the University of St Andrews and a Diploma in Company Direction from the Institute of Directors. A keen traveller and mountaineer, he has been a Fellow of the Royal Geographical Society since 2003.



**Hetan Shah**

**Non-executive director | NAO Board | Remuneration and Nominations Committee**

**Appointed: 25 January 2024**

Hetan is Chief Executive of the British Academy, the UK's national academy for humanities and social sciences, and has previously served as Chief Executive at the Royal Statistical Society. Hetan also has extensive experience in non-executive roles and is currently Chair of the Board at Our World in Data. He is a visiting professor at the Policy Institute, Kings College London, and a Fellow at Birkbeck, University of London. Hetan has extensive board-level experience including having served as Chair of the Friends Provident Foundation and Vice Chair of the Ada Lovelace Institute.



**Janet Eilbeck**

**Former non-executive director of the NAO Board | Chair of the Audit Quality Board to 30 June 2024 | Member of the Audit Quality Board**

**Appointed: 19 October 2022**

Janet is a chartered accountant with more than 40 years' experience. She was an assurance partner at PricewaterhouseCoopers (PwC) until 2011, specialising in government and the broader public sector, including wide experience of external and internal audit, financial accounting advice and risk management. Janet also has expertise in pensions.

She chaired PwC's two legacy staff pension schemes for nine years until December 2019 and, following her retirement from the firm, she became the first chair of the Internal Audit Standards Advisory Board (IASAB), and the independent financial expert for the Department for Education, until December 2016. Janet has been a non-executive member of the West Kent Housing Association Board since June 2021. She is currently vice chair of the Association and chair of its Audit and Risk Committee and Remuneration and Appointments Committee.



**Abdool Kara**

### **Executive director | NAO Board | Executive Team**

Abdool is responsible for the NAO's work with government departments focused on local services, including housing, communities, education and health. From October 2024, his responsibilities expanded to include policing and fire services, and leading our work on Insights teams, providing valuable and practical insights on how public services can be improved.

He provides leadership on all areas of our work that touch on local government. He has over 35 years of experience working in local government and the wider public sector, including at four different councils, seven years at the Audit Commission, and a period as an advisor to the Cabinet Office. From 2009 he was chief executive of Swale Borough Council before joining the NAO in 2017. He is a non-executive Vice Chair of West Kent Housing Association and sits on the Advisory Group to the Welsh Centre for Public Policy.



**Catherine  
Hope-MacLellan**

### **Executive director, chief people officer | Executive Team**

Catherine is responsible for the NAO's people function, learning and development, and diversity and inclusion. With an international finance and management consulting background, she moved into HR to focus on people. Before joining the NAO in June 2023,

Catherine was responsible for the strategy and rollout of national talent initiatives at NHS England. She is a keen traveller and has lived and worked across five continents, including the Middle East, Asia and Africa.



**Daniel Lambauer**

### **Executive director | NAO Board | Executive Team to 29 September 2024**

Daniel joined the NAO in 2009 as a performance measurement expert and helped to establish our local government VFM team. Before his appointment to the Executive Team, he led the development of the NAO's value-for-money workstream. Prior to his departure from the NAO, Daniel was executive director with responsibility for Strategy and Resources. He was the NAO's chief information officer and senior information responsible owner (SIRO). Daniel was also an external member of the Audit Committee of the Office of the Auditor General Ireland. Before joining the NAO, Daniel worked in a range of sectors, including academia, management consultancy and the civil service.



**Kate Mathers**

### **Executive director | NAO Board | Executive Team**

Kate joined the Executive Team in 2017, taking on the new role of Executive Director of Financial Audit in January 2024. In this role, Kate is the member of the Executive Team responsible for leading the Financial Audit Service Line and all matters relating to it, including audit quality. Kate is also responsible for the NAO's work with government departments focused on culture, justice and welfare, and the NAO's work on the BBC. Kate joined the NAO in 2000. She is a chartered accountant with many years' experience auditing a wide range of public sector bodies. Kate held senior management positions in finance and operations while working on secondment at the Independent Parliamentary Standards Authority. Kate is a member of the Council of the Institute of Chartered Accountants in England and Wales, a previous non-executive member of its Board and former Chair of its Education

and Training Board. Kate is an independent member of the Finance Committee of The Royal Foundation of the Prince and Princess of Wales and a Director of TRF Trading Ltd.



**Laura Lucking**



**Verity Prime**

**Executive director | Executive Team (job-share) from 10 February 2025**

Laura and Verity joined the NAO in February 2025 in a job-share. They are responsible for overseeing our work on areas including infrastructure, transport, major projects, defence, energy

and net zero. Laura and Verity have worked as a job-share since 2020. Together they have worked in a range of roles in government departments and arm's-length bodies, leading on issues as diverse as the distribution of National Lottery grants, Covid response, and health policy. Before joining the NAO, they were the Directors for Funding Strategy, Communications and Impact at the National Lottery Community Fund.



**Rebecca Sheeran**

**Executive director, chief operating officer | NAO Board from 30 September 2024 | Executive Team**

Rebecca took on the role of chief operating officer (COO) in October 2024. Her responsibilities include strategy, finance and resources, digital services, and communications. She is the NAO's chief information officer and SIRO. Prior to being appointed as COO, Rebecca was responsible for the NAO's work with government departments focused on the UK's infrastructure as well as defence, climate change and environment. She was also responsible for our VFM service line. Rebecca has worked at the NAO since 2004. Before joining the Executive Team, she led the NAO's VFM work of the Department for Transport. She is a chartered accountant with many years' experience in both financial and VFM audit across a range of public bodies. Rebecca is a Trustee of the

Royal College of Speech and Language Therapists and chairs its Finance and Resources Committee. She is also an independent member of the Finance Committee of the Cardinal Hume Centre in Westminster.



Max Tse

### Executive director | Executive Team

Max is responsible for the NAO's work with departments that sit at the centre of government and since October 2024 has led the NAO's value-for-money service line. Previously he led our work developing specialist expertise and insights. He joined the NAO in 2011 and has led the NAO's value-for-money audit of the Department for Work and Pensions and digital transformation in government. Before joining the NAO, Max was a consultant with McKinsey & Co., working in the UK and overseas in a range of sectors, including logistics, regulatory strategy, retail, climate finance and health. Max is a chartered accountant, certified IT auditor and PhD economist. He is based in the NAO's Newcastle office and is a trustee of the North East Law Centre.

## The NAO's governance

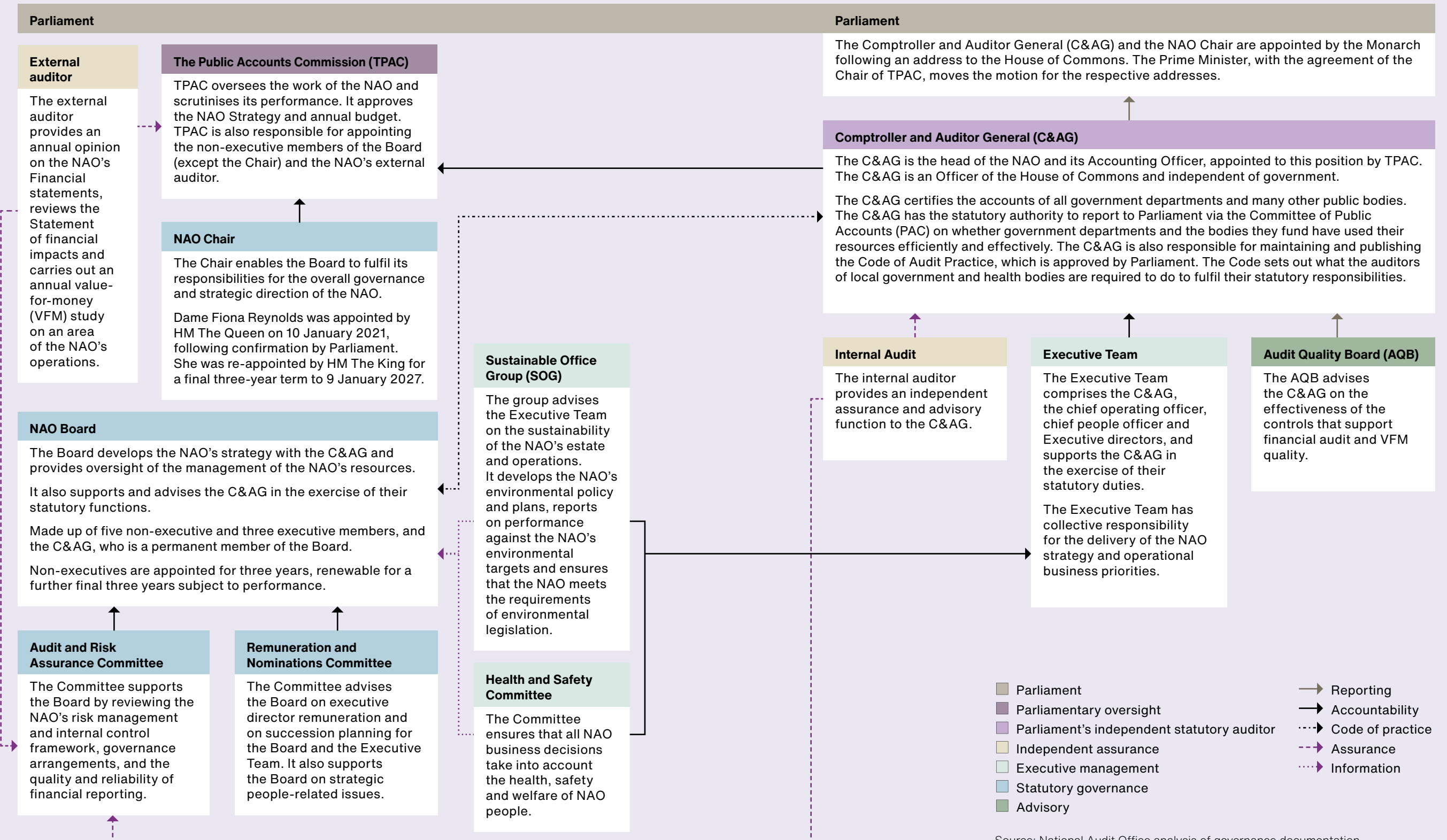
**2.10** The Budget Responsibility and National Audit Act 2011 established the NAO as a legal entity with a statutory board to support the C&AG's statutory functions. **Figure 8** summarises our overall governance framework in 2024-25.



**Figure 8**

## The National Audit Office (NAO) governance framework

The chart sets out the components of the NAO's governance



Source: National Audit Office analysis of governance documentation

## The Public Accounts Commission (TPAC)

**2.11** The NAO is accountable to Parliament through TPAC. A new TPAC was constituted following the 2024 General Election and held an evidence session in March 2025 at which it approved the NAO's 2025–2030 strategy and Estimate for 2025–26.

## The NAO Board

**2.12** The Board shapes the strategic thinking of the NAO. It also advises the C&AG on meeting his statutory responsibilities and oversees the use of resources. It is supported by two sub-committees to which it has delegated specific responsibilities, the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee (RemCo). A further forum, the Audit Quality Board (AQB) advises the C&AG on the effectiveness of audit quality controls.

**2.13** The Board's operations are aligned with the code of good practice for corporate governance in central government departments, except for specific departures arising from the NAO's compliance with the Budget Responsibility and National Audit Act, 2011.<sup>22</sup> The Senior Independent Director, Sir Martin Donnelly, holds meetings with the C&AG and other members of the Board to appraise the Chair's performance. The feedback on Dame Fiona's performance as Chair has been consistently positive, recognising her effective and inclusive leadership. Board agendas and minutes are published on our [website](#).

---

<sup>22</sup> HM Treasury and Cabinet Office, *Corporate governance in central government departments: code of good practice*, 21 April 2017. Available at: <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

## The Board

### Overview of key decisions and priorities, by Dame Fiona Reynolds



The Board plays a vital role in ensuring the effective functioning and strategic direction of the NAO.

As my statement on page [9](#) sets out, the Board's primary focus this year has been on strategy, culminating in our approval of the 2025–2030 strategy in November 2024 and TPAC's approval of it in

March 2025. The strategy process has been a fantastic collective endeavour by the executives and non-executives, with everyone adding value in different but complementary ways. We are all incredibly motivated by the goals we have set ourselves; the next step now is to ensure we implement the strategy effectively and reap the promise it holds. The Board is grateful to TPAC for approving our 2025-26 Estimate to ensure that we are well placed to achieve the ambitions in our strategy, manage new audit engagements, leverage technology to boost our productivity and maintain a competitive position in terms of staffing and recognition for our people.

The Board held seven meetings during the year, including a strategy day. The table below summarises how we have discharged our responsibilities. In addition to our work on the new strategy we have followed closely the progress on the Quality First Plan and its associated workstreams, informed by the robust assurances provided to us by the Audit Quality Board. At our last meeting of the financial year, in March, we were delighted to hear the excellent results from the Financial Reporting Council's annual external evaluation of a sample of our financial audits. The results from the first survey of MPs since the 2024 election show the NAO's continuing strong reputation in Parliament despite high MP turnover. Feedback from our audited bodies has also been positive. Our external auditor has concluded that the investment and ongoing expenditure committed to our Insights teams represents value for money. All of this points to a strong performance by the NAO during the last year of the 2020–2025 strategy, which we celebrate while agreeing that there is no cause for complacency.

I have continued my engagement with senior officials in Whitehall and regularly meet with different groups of people, outside the Executive Team, on my days in the office. These meetings are rewarding and bring different perspectives on our performance and insights into areas where we can improve. I concluded

the internal evaluation of the Board and am pleased and encouraged by the overall positive results, including strong feedback on the performance of the Audit and Risk Assurance Committee and the Remuneration and Nominations Committee. TPAC has approved that next year's external auditor's value-for-money review will focus on NAO's governance, serving as our triennial external evaluation of the Board.

#### Summary of the Board's focus in 2024-25

Strategy	<ul style="list-style-type: none"> <li>• Approved the 2025–2030 strategy, which focuses on helping improve the productivity and resilience of public services and better financial management and reporting in government.</li> <li>• Examined the outcome of the general election and associated impact on working with the new Parliament including the implications of the new government's agenda.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Challenged, advised and supported the Executive Team on progress with the Quality First Plan and congratulated the service line on the strong improvements in audit quality during the year.</li> <li>• Discussed the emerging Modern Publishing Programme which aims to update our creation and publication processes, particularly for VFM reports and insights.</li> </ul>
People	<ul style="list-style-type: none"> <li>• Examined the emerging People Deal and welcomed its alignment with the priorities and outcomes of our new five-year strategy.</li> <li>• Approved the diversity pay gap report, noting that we are on track to eliminate the gender pay gap, by 2027. However, there has been only a slight reduction in the mean ethnicity pay gap, with more progress needed.</li> <li>• Approved the updated Health &amp; Safety and Wellbeing Policy.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Approved the 2025-26 Estimate which takes into account the number of new organisations we will audit over the next three years.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Received regular updates from The Decarbonisation of Buckingham Palace Road (BPR) Governance Board which held its inaugural meeting in September 2024.</li> <li>• Approved the updated Environmental Policy.</li> </ul>
Performance and risk / major projects	<ul style="list-style-type: none"> <li>• Started exploring proposals for the approach that we want to put in place to measure our progress against the outcome-based new strategy.</li> <li>• Evaluated progress against the performance framework at each meeting and sought assurance on actions to redress performance for areas rated Amber.</li> <li>• Noted progress on risk movement at each meeting.</li> <li>• Approved the updated methodology for Financial impacts.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Approved the appointment of the independent external member to the Audit Quality Board.</li> <li>• Received regular updates from the Board's sub-committees.</li> <li>• Noted the outcome of the Board's internal evaluation and agreed areas for continuous improvement next year.</li> </ul>

## Audit and Risk Assurance Committee

### Overview by Gaenor Bagley, non-executive Chair



The Audit and Risk Assurance Committee (ARAC) provides assurance to the Board that the NAO's financial and non-financial controls, and risk management procedures, are operating effectively. ARAC is also responsible for advising the Board, and TPAC, on the appointment and remuneration of the NAO's external auditor.

I have pleasure in presenting ARAC's activities for the year ended 31 March 2025. ARAC is composed solely of non-executive members. Alistair Conner is the other non-executive member of the Committee. Richard Cartwright is an independent external member. We held four meetings during the year. The table below summarises how we have discharged our responsibilities.

Following the re-appointment of Crowe U.K. LLP (Crowe) as our external auditor with effect from 1 April 2024, a key priority during the year has been to ensure the smooth handover of engagement partners, including the effective induction of the new partner. We were pleased to receive a clean opinion on the NAO's financial statements following Crowe's audit. We also welcomed Crowe's review of Hubs and Insights which concluded that the investment and ongoing expenditure committed to Insights teams represents value for money.

We approved measures to manage risks from the new approach to Financial impacts, agreed by the Board in July 2024. The approach removes the need for audited bodies to formally agree on causality and attribution of financial impacts and establishes a formal role for the Impact Panel, which includes a new non-executive member, in approving financial impacts.

As we come to the end of the 2020–2025 strategy, we have started early thinking on risk appetite and the implications of a stronger risk appetite in our new five-year strategy on our own risk management. The alignment of the corporate risk register to the new strategy will be a key focus for the Committee next year.

## Summary of ARAC's focus in 2024-25

Financial reporting/ Reporting on financial impacts	<ul style="list-style-type: none"> <li>• Approved the accounting policies for 2024-25.</li> <li>• Concluded that the control framework underpinning the new Financial impacts methodology effectively manages the risk of inaccurate impact claims.</li> </ul>
External audit	<ul style="list-style-type: none"> <li>• Discussed the conclusion, findings and management's response to the recommendations for improvement arising from the external VFM review of the NAO's Hubs and Insights.</li> <li>• Received positive assurance that all the recommendations for improvement arising from the prior reviews on the Audit Transformation Programme and the Financial management of the NAO's Financial Audit work have been completed.</li> <li>• Recommended a short list of topics for the 2025 external review, including the NAO's Governance, which TPAC subsequently approved.</li> <li>• Received Crowe's clean opinion on the audit of the Financial statements.</li> </ul>
Internal audit	<ul style="list-style-type: none"> <li>• Discussed the conclusions from internal audit's operational plan noting that there were no limited assurance opinions provided during the year and that internal audit's assessment was that progress on the recommendations tracker was 'reasonable'.</li> <li>• Approved the internal audit mandate which has been updated to reflect changes to internal audit standards effective from 1 April 2025.</li> <li>• Approved the 2025-26 internal audit operational plan which will include more cross-cutting reviews and deep dives into the business performance of NAO groups and Insights teams.</li> </ul>
Risk management and internal control	<ul style="list-style-type: none"> <li>• Carried out risk briefings on three emerging risks where we received assurance from management on actions to bring risks down to target. <ul style="list-style-type: none"> <li>– Phishing within the information security risk.</li> <li>– Effective delivery of financial audits.</li> <li>– Lessons learned from the British Library cyber-attack and implications for data loss for the NAO.</li> </ul> </li> <li>• We concluded that the information security and data loss risks will remain high due to the increasing sophistication of the external environment. We will consider how best to demonstrate the risk position against appetite and where we need to focus our efforts as part of the alignment of the corporate risk register to the 2025–2030 strategy.</li> </ul>
Fraud and internal whistleblowing	<ul style="list-style-type: none"> <li>• Endorsed the updated Counter Fraud Plan.</li> <li>• Noted there were no internal whistleblowing concerns raised during the year.</li> </ul>
ARAC governance	<ul style="list-style-type: none"> <li>• Completed all the actions for improvement arising from phases 1 and 2 of our effectiveness review using the NAO's own toolkit for ARACs.</li> </ul>



## Remuneration and Nominations Committee

### Overview by Sir Martin Donnelly, non-executive Chair and Senior Independent Director



The Remuneration and Nominations Committee (RemCo) advises the Board on executive director remuneration and on succession planning for the Board and the Executive Team. We also support the Board on strategic people-related issues.

I am pleased to present the activities of RemCo for the year ending 31 March 2025. RemCo is comprised solely of non-executive members. Hetan Shah serves as the other non-executive member of the Committee. The C&AG and chief people officer are permanent attendees at the Committee's meetings.

We held three meetings during the year. This is one more meeting than specified in our terms of reference, with the additional meeting to advise the C&AG on the skills and experience required in the Executive Team following Daniel Lambauer's resignation as executive director. I am grateful to Fiona Reynolds for participating in the panel which appointed Laura Lucking and Verity Prime to the role of Executive Director for the Infrastructure Group on a job-share basis.

At our autumn meeting, we discussed the Board's succession plan for the end of Gaenor Bagley's and my terms on 31 December 2026, and Fiona Reynolds' term as Chair on 9 January 2027. We emphasised the importance of early stakeholder engagement to ensure smooth appointment processes, recruitment timelines, and proposals for composition of appointment panels. A primary objective for the Committee next year will be to examine these aspects in more detail, particularly focusing on the skills and competencies necessary to maintain a highly effective and strategic Board.

We were pleased to meet representatives of the NAO's trade union to discuss people-related issues, in a private meeting. There are no issues to report on the Committee's performance during the year following Fiona Reynolds' internal evaluation of the Board.

The table below summarises how we have discharged our responsibilities.

Summary of RemCo's focus in 2024-25	
People	<ul style="list-style-type: none"> <li>• Discussed workload and endorsed proposals to reduce excessive hours during final audit via a review of the time off in lieu policy effective from 1 April 2025.</li> <li>• Welcomed the positive progress made with the Trainee Engagement Programme.</li> <li>• Monitored the results of the quarterly people survey and actions arising.</li> </ul>
Pay award	<ul style="list-style-type: none"> <li>• Advised the Board on the 2025-26 pay award informed by benchmarking data to enable us to maintain a competitive position.</li> <li>• Agreed the C&amp;AG's recommendation for the remuneration of each of the executive directors in 2025-26 based on their interim and year-end performance assessments.</li> </ul>
Executive and non-executive succession	<ul style="list-style-type: none"> <li>• Advised the C&amp;AG on the updated portfolios for the Executive Team following Daniel Lambauer's resignation. The Committee agreed that the revised structure positions the Executive Team to better support the implementation of the new five-year strategy while maintaining and developing an effective group of executive directors.</li> </ul>

## Audit Quality Board

### Overview by Gaenor Bagley, independent non-executive Chair



The Audit Quality Board (AQB) is an advisory forum to the C&AG which challenges the effectiveness of the system of quality management supporting the NAO's financial audit and VFM work.

I am pleased to present my report of the AQB's activities during 2024-25. I succeeded Janet Eilbeck as Chair from July 2024. I am grateful to Janet for her continued support in her role as an independent member. This year, we increased the number of independent members to three to expand the breadth of independent advice and challenge on the AQB and, in February 2025, Mark Rhys joined the AQB. The C&AG is also a member of the AQB. We are supported in our work through attendance of NAO colleagues, including the executive directors and directors responsible for our financial audit and VFM service lines. During 2024-25, we met five times and continue to support the C&AG as we identify and address the audit quality challenges facing the NAO. The table below summarises how we have discharged our responsibilities.

We made a positive contribution to improving the NAO's quality risk analysis during the year. On financial audit, the quality assessments relating to the NAO's 2022-23 financial audits, which were concluded earlier in the year, were not as positive as we and the NAO would have liked. The Quality First Plan issued in April 2024 promised a step change in audit quality, enabled by new technical and methodological processes, new audit software ensuring greater consistency in the way auditors document their work, and refreshed training with a stronger emphasis on culture and engagement. We monitored and challenged the progress being made in delivering on this ambitious plan. We were pleased to see welcome signs of improvement in the quality of the NAO's audit work as evidenced by the results of the internal and external inspection programmes of the 2023-24 audits. Our work also contributed to the C&AG's own evaluation of the effectiveness of the NAO's system of quality management.

On value for money, we reviewed the quality regime informed by the findings from the NAO's internal and external inspection programmes.

There are no issues to report on the AQB's performance during the year. Further detail is provided in the NAO's Transparency report, published separately.

## AQB's focus in 2024-25

VFM quality	<ul style="list-style-type: none"> <li>Contributed to the development of revised VFM standards and internal quality assurance procedures through our review of the conclusions from internal and external cold review programmes of a sample of the NAO's VFM reports.</li> </ul>
Our financial audit system of quality management	<ul style="list-style-type: none"> <li>Reviewed and challenged the NAO's framework underpinning our system of quality management.</li> <li>Considered areas in more detail such as, "in-flight", quality interventions and related findings, emerging audit quality indicators, messages from the first quality people survey, and the effectiveness of other controls, such as those around the recording of continued professional development.</li> <li>Approved plans for a programme of testing a sample of detailed controls within the NAO's system of quality management for their effectiveness.</li> <li>Reviewed the structure of the assurance report to feed into the C&amp;AG's annual evaluation of the effectiveness of the NAO's system of quality management for 2024 and the detailed report—including the chair recommending her conclusions to the C&amp;AG to form part of his evaluation.</li> <li>Considered the findings from both the 2023 and 2024 annual evaluation reports and actions in place to address them.</li> </ul>
Financial audit quality	<ul style="list-style-type: none"> <li>Monitored the outcomes from the internal and external inspection programmes and the themes arising from these reviews, including key reports from the Financial Reporting Council.</li> <li>Reviewed possible root causes behind the NAO's quality outcomes.</li> </ul>
Financial audit quality plans	<ul style="list-style-type: none"> <li>Reviewed the NAO's draft Quality First Plan for 2024, including the on-going delivery of our Audit Transformation Programme, and progress in taking forward its actions throughout the year.</li> <li>Considered the draft Quality First Plan for 2025.</li> <li>Emphasised the importance of the NAO's culture in further embedding a quality and sceptical mindset as staff progress their audit work.</li> </ul>
Other assurances	<ul style="list-style-type: none"> <li>We attended training for the NAO's financial auditors, including on audit bias. We also began to shadow a 2024-25 financial audit to understand the risk assessment process.</li> <li>We discussed the prominence of audit quality within the NAO's strategy for the next five years.</li> <li>The chair met the AQB's secretariat and other senior staff frequently to discuss the agenda and emerging themes.</li> <li>We oversaw the structure, content and messages within the NAO's annual Transparency report, which was published in July 2024.</li> <li>We saw the evolution and delivery of a programme of board-level audit quality indicators and reviewed the messages from these indicators at each of our meetings.</li> </ul>

## Executive Team

**2.14** The Executive Team, led by the C&AG as Head of the NAO, is collectively responsible for the delivery of the NAO strategy and its operational business priorities.

## Executive Team

### Overview by Gareth Davies



I chair the Executive Team which, in 2024-25, comprised six executive directors. Executive directors, including the chief operating officer and the chief people officer, have functional responsibility for an area of work that is crucial to the delivery of our strategy. Each is also accountable for one of the individual groups that make up the NAO.

In October 2024, I appointed a chief operating officer, replacing the previous post of Executive Director for Strategy and Resources. In February 2025, we welcomed a job-share team of two new executive directors to lead one of our groups.

As an Executive Team, we met:

- monthly, to monitor progress against our strategic objectives, take action on areas of risk outside our risk appetite and provide operational leadership; and
- more frequently – usually two to three times a week, to keep up to date with developments in individual groups and functional areas and make operational decisions.

We received regular financial and performance information and internal and external feedback, to help us assess our progress in implementing our strategy and developing the organisation. We used this information to examine the progress of our financial audits and agreed additions and revisions to our programme of VFM and wider assurance work, aligning operational and resource plans with our priorities.

During 2024-25, we oversaw the implementation of a plan to improve the quality of our audit work, the development and launch of our new five-year strategy, the first phase of refurbishment of our London office to make better use of our space, and the development of an organisation-wide wellbeing plan. We also received several updates on our digital and information security plans.

2.15 Attendance at the Board and its committees is shown in **Figure 9**.

## Figure 9

### Attendance at the National Audit Office (NAO) Board and committees, 2024-25

Attendance was high across all meetings

Members	NAO Board		Audit and Risk Assurance Committee		Remuneration and Nominations Committee	
Total number of meetings	7		4		3	
Attendance as:	Member	Attendee	Member	Attendee	Member	Attendee
<b>Non-executive</b>						
Dame Fiona Reynolds	7/7	–	–	1/4	–	3/3
Gaenor Bagley	7/7	–	4/4	–	–	–
Alistair Conner	6/7	–	4/4	–	–	–
Sir Martin Donnelly	7/7	–	–	–	3/3	–
Hetan Shah <sup>1</sup>	6/7	–	–	–	3/3	–
<b>Executive</b>						
Gareth Davies (C&AG)	7/7	–	–	4/4	–	3/3
Abdool Kara	–	7/7	–	–	–	–
Catherine Hope-MacLellan	6/7	–	–	–	–	3/3
Daniel Lambauer <sup>2</sup>	3/3	–	–	1/1	–	–
Kate Mathers	7/7	–	–	–	–	–
Laura Lucking and Verity Prime (job-share)	–	1/1	–	–	–	–
Rebecca Sheeran <sup>3</sup>	3/4	3/3	–	3/3	–	–
Max Tse	–	7/7	–	–	–	–

#### Notes

- 1 Hetan Shah joined the Board strategy day for one item remotely.
- 2 Daniel Lambauer resigned as an executive member of the Board with effect from 29 September 2024.
- 3 Rebecca Sheeran became an executive member of the Board upon appointment as chief operating officer with effect from 30 September 2024. Rebecca joined the January meeting for one item, remotely.

Source: National Audit Office analysis of meeting attendance records



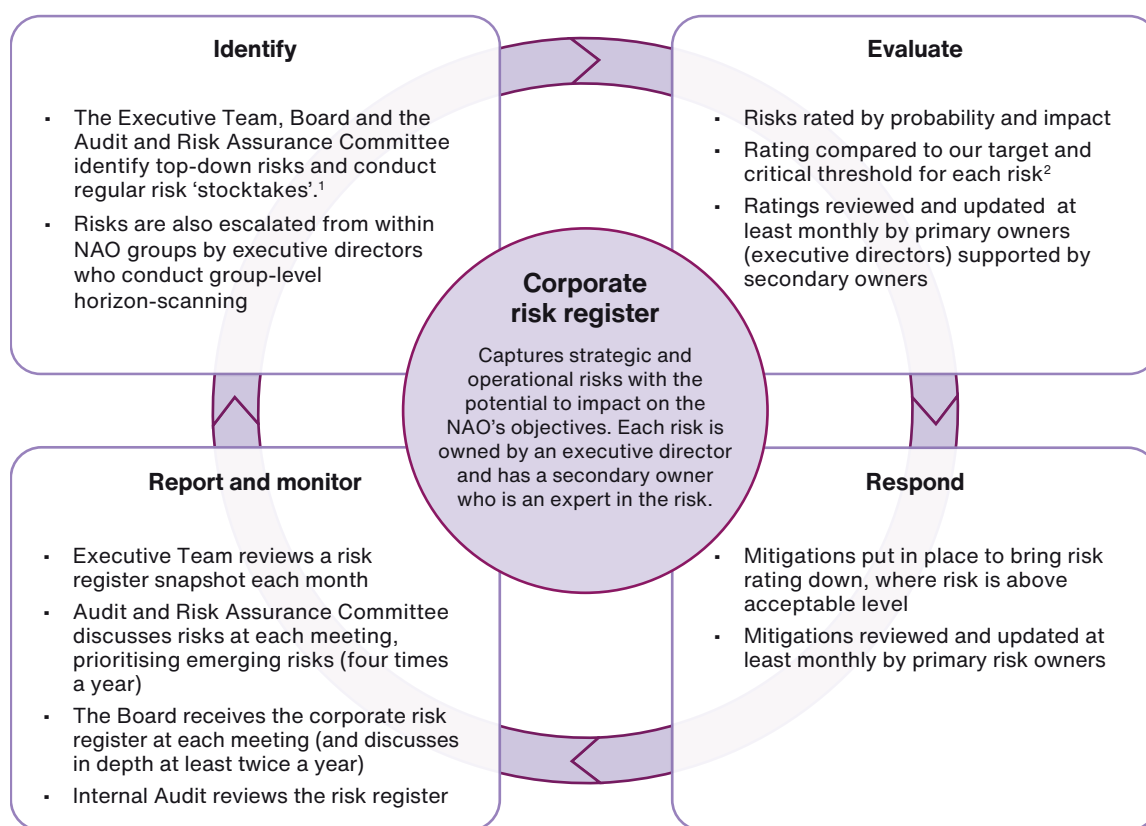
## Risk management and control

**2.16** Our risk management framework and processes align with principles set out in HM Treasury's *Orange Book* (**Figure 10**).<sup>23</sup>

**Figure 10**

### National Audit Office (NAO) risk management process, 2024-25

We identify, evaluate, respond to, and report on and monitor risks



#### Notes

- 1 We conduct regular stocktakes of our risks to identify those that should move on or off the corporate risk register. This is usually an annual exercise, but we did not complete a stocktake in 2024-25 because we plan a more in-depth review in summer 2025 to align our risks with our new 2025-2030 strategy.
- 2 For each risk, we set a target level, which is the level of risk within which we aim to operate, and a critical threshold level, which is the level of risk we are not prepared to exceed.
- 3 Projects within the NAO's change portfolio have their own risk processes using a RAID (risks, actions, issues, decisions) log, drawing on advice from the NAO's Change & Transformation and Risk Management teams. Risks from projects are escalated to corporate risk management if they require ongoing monitoring from the Executive Team (for example, the Audit Transformation Programme).

Source: National Audit Office risk management framework

<sup>23</sup> Government Finance Function and HM Treasury, *Orange Book: Management of risk – Principles and Concepts*, May 2013, updated May 2023. Available at: <https://www.gov.uk/government/publications/orange-book>

## Review of risks in the corporate risk register

**2.17** We had 24 risks on the corporate risk register at 31 March 2025, of which 15 were at or below target level and considered satisfactory based on how likely they are to occur and what their impact would be if they did (**Figure 11**). Nine risks were above target level and of concern, with two of these at the critical threshold boundary. Figure 11 also shows how our assessment of risks has changed through 2024-25 (for example, where we assess that a risk has either become more or less likely to occur, or, if it did, that its impact would be different).

**2.18** The risk score for five risks reduced in 2024-25 because of measures taken.

- **Financial audit quality:** We made strong progress with a significant increase in our financial audit quality review scores.
- **Sickness absence, mental health and wellbeing:** We saw a welcome reduction in our sickness absence rates over the last year but are keen to see further improvement.
- **Financial impacts target:** We significantly exceeded our target for financial impacts in 2024.<sup>24</sup>
- **Management of contracted out audits:** Contracted out audits are meeting quality standards, and we have taken a firm position on proposed fee increases to manage our exposure to fee inflation.
- **Meeting continuous professional development requirements:** Our analysis to date indicates strong early compliance with the requirements, but we continue to monitor this carefully.

**2.19** One risk increased in 2024-25:

- **Efficient delivery of financial audits:** We did not achieve the pre-summer 2024 Parliamentary recess certification levels we anticipated, partly because the general election period delayed ministerial approval of accounts in some cases.

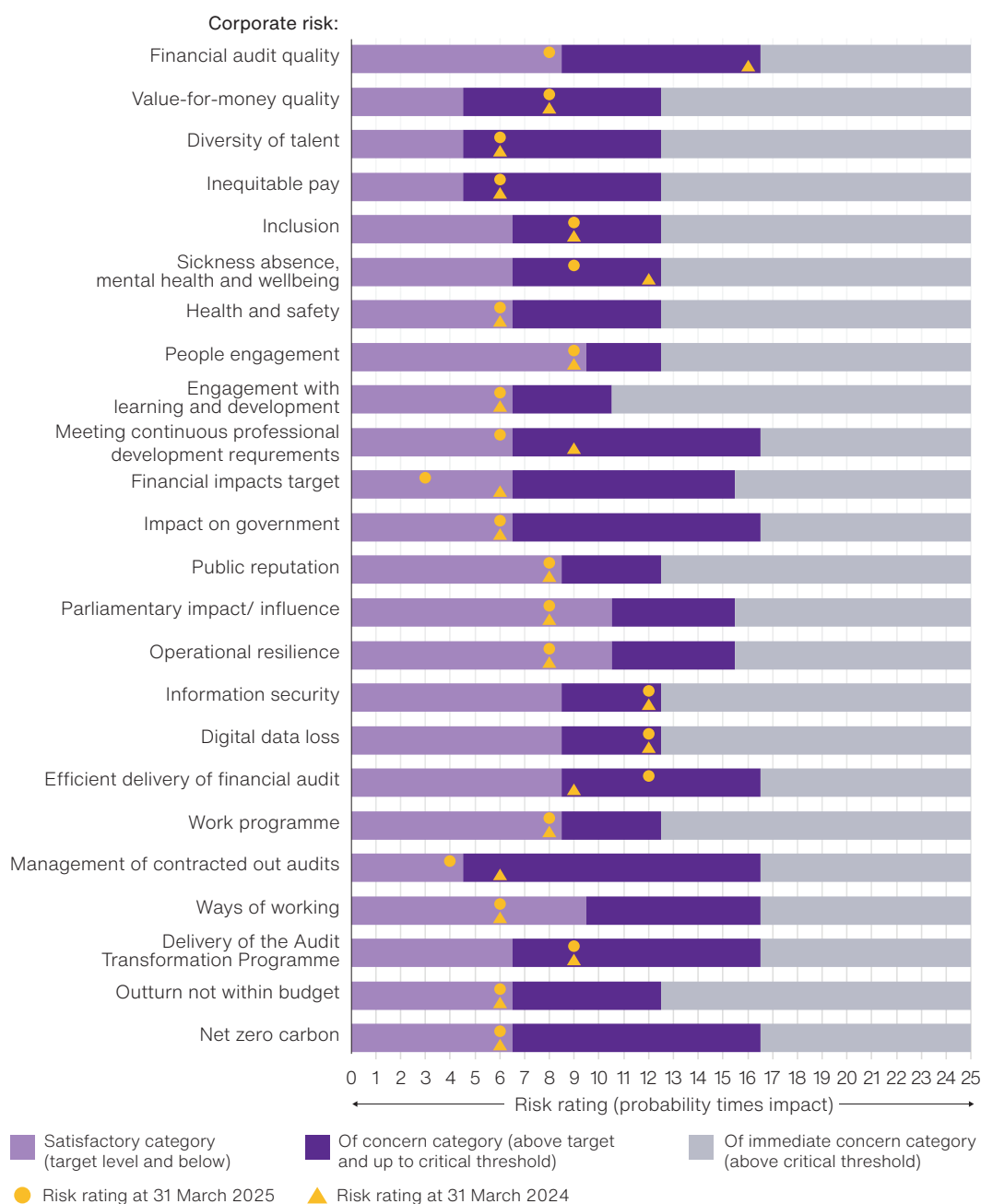
---

<sup>24</sup> We expect some fluctuation in this risk level during the year reflecting our progress towards our target for financial impacts.

**Figure 11**

## Position of National Audit Office (NAO) corporate risks compared with their target and critical threshold levels, at 31 March 2025 and 31 March 2024

Nine risks out of 24 were above their target level, including two at their critical threshold



**Note**

- Risks are assigned a current rating, after mitigations, based on five-point scales of probability and impact. Each risk is also assigned a target and critical threshold level. A risk at target level or below is categorised as satisfactory; above target and at or below the critical threshold as of concern; above the critical threshold as of immediate concern.

Source: National Audit Office analysis of corporate risk register.

**2.20** For the risks that are above where we want them to be, we are taking further mitigating actions to bring them back towards a satisfactory level:

#### **Risks on their critical threshold boundary**

- **Information security:** We are increasing our focus on managing this risk to keep up with evolving threats in the external environment. We are holding mandatory training and awareness sessions for our people and conduct regular phishing simulation exercises. We have implemented new cyber controls and are using an integrated Governance, Risk and Compliance toolkit to automate assurance processes, develop our understanding of threats, and increase our controls.
- **Digital data loss:** We introduced labelling and additional prevention controls to reduce the risk of data loss and will implement further controls in 2025-26.

#### **Risks above their target level but below the critical threshold boundary**

- **VFM quality:** We have adopted a risk-based quality management approach and are continuing to make improvements, drawing on findings from quality reviews.
- **Inequitable pay, diversity of talent, and inclusion:** We are developing a new five-year diversity and inclusion strategy, building on progress to date.
- **Sickness absence, mental health and wellbeing:** We are continuing to develop our wellbeing approach and address workload demands, and we saw a welcome reduction in absence rates in 2024-25.
- **Efficient delivery of financial audits:** We are working with audited bodies, HM Treasury and the Government Finance Function to support more timely accounts and audit.
- **Delivery of the Audit Transformation Programme:** While delivery to date has been successful, we continue to manage remaining implementation risks carefully, working with our partners.

## Review of effectiveness of system of risk management and internal control

**2.21** As Accounting Officer, the C&AG has responsibility for reviewing the effectiveness of the system of risk management and internal control. This review is informed by the work of the Director of Internal Audit and Assurance (DIAA), the executive directors within the NAO responsible for developing and maintaining the internal control framework, and comments made by external auditors in their management letter and other reports.

**2.22** The DIAA's annual report concludes that the NAO has "adequate and effective governance, risk and control arrangements". The DIAA has arrived at this opinion by:

- delivering an annual operational plan for 2024-25, approved by the Executive Team and ARAC, set against a risk-based Audit Needs Assessment to prioritise activity over a three-year planning period, and designing an internal audit strategy and annual operational plan;
- consistently applying a risk-based internal audit methodology, conforming with the Global Internal Audit standards and completing as required a detailed self-assessment against the standards following an External Quality Assessment in 2022, which rated the service as "excellent";
- delivering 21 individual assurance assignments, together with advisory support and, where appropriate, agreeing an action plan with system owners to secure improvements; and
- monitoring the implementation of internal audit recommendations throughout the year and assessing the progress as reasonable.

**2.23** The DIAA has assured the C&AG that the resources made available for internal audit have been sufficient to complete the operational plan, and the safeguards in place have maintained his independence.

**2.24** The Board keeps its internal control arrangements under review in response to internal and external developments. The Board receives an update from the chair of ARAC after each meeting and also receives the Internal Audit annual report from the DIAA.

## Internal control weaknesses

**2.25** There were no significant weaknesses in our system of internal controls in 2024-25 that affected the achievement of our key policies, aims and objectives.

## Internal whistleblowing

**2.26** NAO people and others who work for or provide services to us can raise a concern without fear of reprisal. There were no internal whistleblowing concerns raised during the year (2023-24: no cases).

## External complaints

**2.27** Anyone who encounters the NAO and is unhappy or dissatisfied can complain. We publish our complaints policy and three-stage process on our website.<sup>25</sup>

**2.28** We make every effort to resolve a complaint at the first stage satisfactorily but, if we cannot, the complaint will be reviewed by a member of staff not involved with the case. In the final stage of our process, the complaint is considered by a member of the Executive Team. In 2024-25, we processed nine complaints. We resolved six at stage 1, one at stage 2 and two at stage 3. No complaints were carried over to 2025-26.

## Disclosure relating to the Financial Reporting Council's Ethical Standard

**2.29** From September 2024, we seconded an NAO director to work with HM Treasury's Office for Value for Money (OVfM). We judged that this was an important opportunity to share our expertise to inform the work of the OVfM. This secondment was initially for 12 months from September 2024 and was extended to 14 months in March 2025. The length of secondment constitutes a technical breach of the Financial Reporting Council's ethical standard because it was for a longer period than is permitted. Nevertheless, our view is that the length of secondment was necessary to maximise the transfer of knowledge to the OVfM. We have kept the Financial Reporting Council informed

---

<sup>25</sup> National Audit Office, *Complaints policy*. Available at: <https://www.nao.org.uk/about-us/contact-us/complaints-policy/>



of this secondment, have requested that HM Treasury discloses this information in its financial statements for 2024-25 and have put additional measures in place to safeguard the independence of the C&AG. We do not plan to extend the secondment beyond 31 October 2025.

**Gareth Davies**  
**Comptroller and Auditor General**  
**24 June 2025**

# Remuneration and staff report

**2.30** This section provides details on our remuneration policy, pay, benefits and staff numbers.

## Remuneration policy for senior management

### Comptroller and Auditor General (C&AG), and National Audit Office (NAO) Chair

**2.31** The Prime Minister and the Chair of the Committee of Public Accounts jointly determine the remuneration of the C&AG and the NAO Chair. In accordance with the provisions of Part 2 and Schedule 2 of the Budget Responsibility and National Audit Act 2011 (the Act), their remuneration is charged on, and paid out of, the Consolidated Fund.

### Non-executive Board members

**2.32** The Public Accounts Commission (TPAC) approves the remuneration of the non-executive Board members on the recommendation of the NAO Chair. The remuneration paid to non-executive Board members is non-pensionable.

### Executive Team

**2.33** The NAO's Remuneration and Nominations Committee (RemCo) agrees the remuneration of the Executive Team on the recommendation of the C&AG. Some members of the Executive Team are also executive members of the Board but do not receive additional remuneration for this role. During 2024-25, Rebecca Sheeran (from 30 September 2024), Daniel Lambauer (until 29 September 2024), Catherine Hope-MacLellan and Kate Mathers were executive members of the Board. **Figure 12** (audited) shows total remuneration, and its components, for the NAO Board and Executive Team.

**Figure 12**
**Single total figure of remuneration (audited)**

Name	Salary (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>1</sup>		Total remuneration (£000)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
<b>Non-executive members of the National Audit Office (NAO) Board</b>								
Dame Fiona Reynolds, NAO Chair	40–45	40–45	4,200	4,000	–	–	45–50	45–50
Gaenor Bagley	20–25	20–25	600	1,300	–	–	20–25	20–25
Alistair Conner	20–25	20–25	–	100	–	–	20–25	20–25
Sir Martin Donnelly	20–25	20–25	1,900	2,600	–	–	20–25	20–25
Hetan Shah (from 25 January 2024)	20–25	0–5 (full-year equivalent 20–25)	–	–	–	–	20–25	0–5 (full-year equivalent 20–25)
Dame Clare Tickell <sup>2</sup> (to 9 January 2024)	–	15–20 (full-year equivalent 20–25)	–	–	–	–	–	15–20 (full-year equivalent 20–25)
<b>Executive Team</b>								
Gareth Davies, Comptroller and Auditor General	235–240	225–230	–	–	–	–	235–240	225–230
Abdool Kara <sup>3</sup>	180–185	175–180	300	200	–	–	180–185	175–180
Catherine Hope- MacLellan <sup>4</sup>	150–155	120–125 (full-year equivalent 150–155)	200	200	59,000	48,000	210–215	170–175
Daniel Lambauer (until 29 September 2024) <sup>4,5</sup>	75–80 (full-year equivalent 150–155)	145–150	100	200	59,000	57,000	135–140 (full-year equivalent 210–215)	200–205
Kate Mathers <sup>4</sup>	155–160	145–150	200	200	99,000	92,000	255–260	235–240

Name	Salary (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>1</sup>		Total remuneration (£000)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Laura Lucking (from 10 February 2025) <sup>4,8</sup>	10–15 (full-year equivalent 80–85, full-time equivalent 140–145)	–	–	–	31,000	–	40–45	–
Verity Prime (from 10 February 2025) <sup>4,8</sup>	10–15 (full-year equivalent 80–85, full-time equivalent 140–145)	–	–	–	24,000	–	35–40	–
Rebecca Sheeran <sup>6</sup>	150–155	145–150	200	200	–	–	150–155	145–150
Max Tse <sup>4</sup>	150–155	145–150	200	200	58,000	57,000	210–215	200–205

#### Notes

- The value of pension benefits accrued during the year is calculated as the real increase in pensions multiplied by 20, minus the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- Dame Clare Tickell was a non-executive member of the National Audit Office (NAO) Board from 10 January 2018 to 9 January 2024. The 2023-24 remuneration information relates to the period from 1 April 2023 to 9 January 2024.
- Abdool Kara does not participate in the NAO pension scheme.
- Pension benefits disclosed in this table are determined by the specific pension schemes enrolled in. Career average schemes accrue pension benefits as a fixed percentage of the salary earned in-year, whereas final salary pension schemes accrue pension benefits on the basis of length of service and the latest annual salary. Therefore, entitlements for individuals will differ in-year depending on what scheme they are in. Of the Executive Team, Catherine Hope-MacLellan, Daniel Lambauer, Laura Lucking, Max Tse, and Verity Prime are members of career average schemes only. Kate Mathers is a member of a final salary scheme in addition to the career average scheme.
- Daniel Lambauer left the NAO and joined the Competition and Markets Authority in September 2024 which entailed continued membership of the pension scheme. The information and details relevant to the pension benefits disclosed in the table were provided by the pension scheme administrators and reflects the position up to 31 March 2025, rather than the actual date of leaving the NAO. This results in an overstatement of the Pension benefits and the Total remuneration during his time employed at the NAO (the full-year equivalent figure disclosed is unaffected). The NAO has requested details of pension benefits solely for the period of employment with the NAO from the pension scheme administrators, and this note will be updated in future reports where relevant, if revised figures become available.
- Rebecca Sheeran participates in the partnership pension scheme. This is a defined contribution scheme, and we are only required to disclose the contributions made by the NAO in the year. The total contribution made for 2024-25 was £26,000 (2023-24: £25,000).
- Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals who were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.
- Laura Lucking and Verity Prime are executive director job-share partners.

Source: National Audit Office analysis of finance data

## Salary and benefits in kind

**2.34** ‘Salary’ includes gross salary and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the NAO and thus recorded in these accounts.

**2.35** The monetary value of benefits in kind covers any expenditure incurred by the NAO and treated by HM Revenue & Customs (HMRC) as a taxable emolument. As part of the remuneration package, the NAO provides all its employees with additional death-in-service benefit equivalent to one year’s salary. The benefits column in Figure 12 shows the cost to the NAO of providing the death-in-service benefit to members of the Executive Team, and the associated income tax and National Insurance liability that is met by the NAO.

**2.36** The benefits in kind disclosed for non-executive members of the Board in Figure 12 relate to travel to the NAO London Office for Board and other committee meetings and include the associated income tax and National Insurance liability, which was met by the NAO.

## Pension arrangements (including audited cash equivalent transfer value figures)

### C&AG

**2.37** The pension arrangements for the C&AG are covered by the Superannuation Act 1972 and are analogous to those of a member of the Principal Civil Service Pension Scheme, which is an unfunded scheme. The Superannuation Act provides for defined pension benefits to be met from the Consolidated Fund, and no liability rests with the NAO. On taking up his appointment as C&AG on 1 June 2019, Gareth Davies waived his pension benefit entitlement.

### Executive Team

**2.38** Pension benefits for executive directors are provided through the civil service pension arrangements (**Figure 13**, audited).<sup>26</sup>

26 Details of the civil service pension arrangements can be found at: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

**Figure 13**
**Pension entitlements of members of the National Audit Office (NAO) Executive Team (audited)**

Name	Accrued pension at pension age at 31 March 2025 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value (CETV) at 31 March 2025	CETV at 31 March 2024	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Catherine Hope-MacLellan	20–25	20–22.5	320	38	-19
Daniel Lambauer (until 29 September 2024) <sup>3</sup>	40–45	2.5–5	540	482	13
Kate Mathers	65–70	5–7.5	1,310	1,187	67
Laura Lucking (from 10 February 2025) <sup>4</sup>	30–35	0–2.5	484	459	23
Verity Prime (from 10 February 2025) <sup>4</sup>	25–30	0–2.5	415	387	20
Max Tse	45–50	2.5–5	601	529	16

**Notes**

- 1 Abdool Kara does not participate in the NAO pension scheme.
- 2 Rebecca Sheeran participates in the partnership pension scheme. This is a defined contribution scheme, and we are only required to disclose the contribution made in the year rather than the information in the table above. The total employer contribution made for 2024-25 was £26,000 (2023-24: £25,000).
- 3 Daniel Lambauer left the NAO and joined the Competition and Markets Authority in September 2024 which entailed continued membership of the pension scheme. The CETV shown as the closing value was provided by the pension scheme administrators and reflects the position as at 31 March 2025, rather than the actual date of leaving the NAO. The NAO has disclosed this figure in the absence of a CETV calculated at the transfer date. The NAO has requested an actuarial estimate as at the date of leaving the NAO from the pension scheme administrators, and this note will be updated in future reports where relevant if revised figures become available.
- 4 Laura Lucking and Verity Prime joined the NAO in February 2025 from the National Lottery Community Fund and continued as members of the pension scheme. The opening CETV shown was provided by the pension scheme administrators for the value as at 10 February 2025, the date of joining the NAO.
- 5 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals who were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Source: National Audit Office analysis of pension data



## Cash equivalent transfer values

**2.39** A Cash Equivalent Transfer Value (CETV) is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued from that former scheme. It is the actuarially assessed capitalised value of benefits accrued by a member at a particular point in time and includes the member's accrued benefits and any contingent spouse's pension payable from the scheme. The figures shown in Figure 13:

- relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies;
- include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements; and
- include any additional pension benefit accrued to the member as a result of them buying additional pension benefits at their own cost.

**2.40** CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

**2.41** This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Fair pay (audited)

**2.42** Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median, 25th percentile and 75th percentile remuneration of the organisation's workforce. Total pay and benefits include the employee's full-time equivalent salary, allowances, performance pay or bonuses payable, and non-cash benefits but excludes pension benefits. Neither the highest paid individual nor any NAO employees received performance pay or bonuses in 2024-25 (2023-24: nil) and there are no non-salary components in the total pay and benefits figures disclosed (2023-24: nil). There has been no significant change over the last year in the NAO's employment models or the proportion of the workforce that is not employed by the NAO under contracts of service. No NAO employee worked wholly or mainly outside the UK in 2024-25 (2023-24: nil) and no employee received remuneration in excess of the highest paid individual in 2024-25 (2023-24: nil).

**2.43 Figure 14** shows that the 25th percentile, median and 75th percentile pay ratios have all increased since last year because the highest paid individual received a higher percentage pay increase than other colleagues. The average percentage change in salary and allowances of 0.09% is lower than in 2023-24, a year in which we introduced a new pay framework. The change in average rate in 2024-25 reflects movements in the pay, reward, grading and progression policies for NAO employees agreed with TPAC as part of the Estimate.

**Figure 14**
**Fair pay disclosures (audited)**

		2024-25	2023-24
Remuneration banding for highest-paid individual (salary and allowances)		£235,000 to £240,000	£225,000 to £230,000
Percentage change from the previous financial year for highest paid individual		4.4%	2.25%
75th percentile	Total pay and benefits	£75,601	£74,250
	Pay ratio	3.14	3.06
Median	Total pay and benefits	£61,928	£60,713
	Pay ratio	3.84	3.75
25th percentile	Total pay and benefits	£41,396	£43,081
	Pay ratio	5.74	5.28
Average percentage change in salary and allowances from the previous financial year for all National Audit Office employees (excluding the highest-paid individual)		0.09%	6.45%
Remuneration range		£21,500 – £235,000 to £240,000	£20,600 – £225,000 to £230,000

**Note**

1 The average percentage change in salary and allowances from the previous financial year for all NAO employees (excluding the highest paid individual) is calculated based on the average salary of all staff (including temporary staff) in post at the year-end compared with the average salary of those in post at the end of the prior year.

Source: National Audit Office analysis of finance data

## NAO staff remuneration policy

**2.44** The provisions of the Act make clear that the NAO is responsible for employing its staff. We want to retain our competitiveness as an employer, and to that end we consider wider conditions in the labour market, including pay in the private sector audit firms. The Act also requires us to have regard to the desirability of keeping our employment terms broadly in line with those for the civil service. We set remuneration at a level to recruit, retain and motivate qualified and high-calibre people within the budget available to us. Our employees normally hold open-ended appointments. Early termination, other than for misconduct, would typically result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

## Staff numbers and related costs (audited)

**2.45** **Figures 15** and **16** show the average number of staff employed during the year and their costs.

**Figure 15**

### National Audit Office staff numbers (audited)

	2024-25	2023-24
Full-time equivalent permanent staff	1,014	942
Temporary staff	13	22
Inward secondees	1	1
<b>Total</b>	<b>1,028</b>	<b>965</b>

**Note**

1 Full-time equivalent is an average figure for the financial year.

Source: National Audit Office analysis of management accounts and Human Resources data

**Figure 16**
**National Audit Office staff costs (audited)**

	2024-25			2023-24		
	Total (£000)	Permanent (£000)	Temporary (£000)	Total (£000)	Permanent (£000)	Temporary (£000)
Wages and salaries	66,157	63,913	2,244	62,428	59,035	3,393
Social security costs	7,658	7,658	–	7,054	7,054	–
Pension costs	17,884	17,884	–	16,019	16,019	–
<b>Gross cost</b>	<b>91,699</b>	<b>89,455</b>	<b>2,244</b>	<b>85,501</b>	<b>82,108</b>	<b>3,393</b>
Secondment income	(261)	(261)	–	(126)	(126)	–
<b>Net cost</b>	<b>91,438</b>	<b>89,194</b>	<b>2,244</b>	<b>85,375</b>	<b>81,982</b>	<b>3,393</b>

Source: National Audit Office analysis of finance data

# Staff turnover

**2.46 Figure 17** shows staff turnover rates using the Cabinet Office methodology.<sup>27</sup>

**Figure 17**

## Percentage turnover by audit grade, 2024-25

Turnover was below target level for all grades

Grade	Target (%)	Actual (%)	
	2024-25	2024-25	2023-24
Senior management	10	5	3
Senior Audit Manager	7	4	6
Audit Manager	7	5	4
Senior Auditor and Senior Audit Associate	20	12	18
Senior Analyst	12	4	0
Analyst	16	8	0
Trainee	10	8	19

### Notes

- 1 Rates rounded to the nearest whole percent. Turnover is where staff leave the National Audit Office (NAO). The Cabinet Office second category of departmental turnover (staff leaving the civil service or a particular civil service department), does not apply to the NAO as an independent organisation.
- 2 The 'senior management' category includes directors and executive directors. The target rate applies to directors only.
- 3 Data are for the 12 months to 31 March 2025 and for the 12 months to 31 March 2024. The combined turnover rate for Senior Audit Manager and Audit Manager grades reported in last year's annual report was incorrectly recorded.

Source: National Audit Office analysis of Human Resources data

<sup>27</sup> Cabinet Office, *Turnover in the Civil Service: Guidance on calculation*, 2019. Available at: <https://www.gov.uk/government/publications/turnover-in-the-civil-service>



## NAO staff pension arrangements

**2.47** Pension benefits are provided through the civil service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), a defined benefit scheme which is divided into different sections.

- Classic, premium, and classic plus, providing benefits on a final salary basis.
- Nuvos, providing benefits on a career average basis.

**2.48** From 1 April 2015, a new defined benefit pension scheme for civil servants was introduced: the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career average basis. All newly appointed civil servants wishing to participate in defined benefit pension arrangements, and the majority of those already in service, joined the new scheme. Employees may also opt for a defined contribution pension with an employer contribution, called the partnership pension account (see further below).

**2.49** The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (ranging between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation.

**2.50** In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their earlier PCSPS benefits ‘banked’, with those in one of the final salary sections having benefits based on their final salary when they leave alpha.

**2.51** The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Figure 13 shows the accrued pension that the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes, but the constituent parts of that pension may be payable from different ages.

## The public service pensions remedy

**2.52** When the government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the ‘McCloud judgment’).

**2.53** As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

**2.54** The accrued pension benefits, CETV and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals who were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively

exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

## Partnership pension account

**2.55** The partnership pension account is an occupational defined contribution pension and is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but the employer will also match employee contributions, up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

**2.56** Further details on the civil service pension arrangements can be found here: [www.civilservicepensionscheme.org.uk/](http://www.civilservicepensionscheme.org.uk/)

## Exit packages (audited)

**2.57** We offer compensation when colleagues agree to leave the organisation in circumstances where the departure provides an opportunity to refresh our skills base and reduce our costs. Exit packages include compulsory redundancies, voluntary exits (such as voluntary redundancy and early retirement), and other agreed departures. Exit costs are accounted for in full in the year that the departure is agreed. Details of the packages agreed in 2024-25 and associated ex-gratia payments are shown in **Figure 18**.

**2.58** These redundancy and other departure costs are typically paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. On some occasions, however, there may be a strong business rationale for agreeing settlement terms outside of the provisions of this scheme. Of the eight special severance packages we agreed in 2024-25, seven were agreed outside the scheme, totalling £176,000.<sup>28</sup>

**2.59** There were no early retirement agreements in 2024-25.

---

<sup>28</sup> Individual payments ranged from £2,400 to £34,462. The median payment was £23,908.

**Figure 18**
**Compensation packages offered during 2024-25 (audited)**

Eight exit packages were agreed in the year

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Exit package cost band	2024-25 (2023-24)	2024-25 (2023-24)	2024-25 (2023-24)
<£10,000	– (–)	1 (–)	1 (–)
£10,000–£25,000	– (–)	3 (1)	3 (1)
£25,001–£50,000	– (–)	3 (–)	3 (–)
£50,001–£100,000	1 (–)	– (1)	1 (1)
£100,001–£150,000	– (–)	– (–)	– (–)
£150,001–£200,000	– (–)	– (–)	– (–)
<b>Total number of exit packages</b>	<b>1 (–)</b>	<b>7(2)</b>	<b>8 (2)</b>
<b>Total cost (£000)</b>			<b>236 (104)</b>

Source: National Audit Office analysis of finance data

## Off-payroll engagements

**2.60** We make use of temporary staff to supplement the resourcing of our financial audit work where shortfalls arise because of unexpected resignations or to help manage peak periods of work. We also, from time to time, engage individuals to provide specialist commercial, digital or project management expertise. As part of the engagement process, we consider whether these individuals are subject to off-payroll legislation (**Figures 19 and 20**).

## Figure 19

### Highly paid off-payroll worker engagements, as at 31 March 2025, earning £245 per day or greater

<b>Number of existing engagements as of 31 March 2025</b>	<b>16</b>
Of which, number that existed:	
Less than one year	16
For between one and two years	–
For between two and three years	–
For between three and four years	–
For four or more years	–

Source: National Audit Office analysis of finance data

## Figure 20

### All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater

<b>Number of temporary off-payroll workers engaged during the year ended 31 March 2025</b>	<b>56</b>
Of which:	
Not subject to off-payroll legislation	–
Subject to off-payroll legislation and determined as in-scope of IR35	49
Subject to off-payroll legislation and determined as out-of-scope of IR35	7
Number of engagements reassessed for compliance or assurance purposes during the year	–
Of which: number of engagements that saw a change to IR35 status following review	–

Source: National Audit Office analysis of finance data

**2.61** There were no off-payroll engagements of Board members or senior officials with significant financial responsibility between 1 April 2024 and 31 March 2025.

## Expenditure on consultancy

**2.62** We spent £0.6 million on consultancy in 2024-25 (2023-24: £0.6 million), receiving advice in areas such as the delivery of IT improvements and specialist legal opinion where it does not make sense for us to hold this expertise in-house.

## Diversity and inclusion

**2.63** We describe our performance in achieving a more diverse workforce in the Performance report and in our separate annual Diversity and Inclusion report. In this section we show what we are doing to promote an inclusive working environment that respects individuals, treats them equally and fairly, and supports them to realise their potential.

## Equality, fairness and support

**2.64** We emphasise the importance of respecting others in our corporate values and our policies. Our aim is for all colleagues to be treated equally and fairly, and free from discrimination. We do not tolerate bullying and harassment. We want people to feel able to raise concerns in a safe and confidential way, and we investigate allegations quickly, sensitively and fairly, taking firm action if necessary. We have a strong team of 'dignity at work' leads who offer informal, confidential support to those who have experienced or witnessed inappropriate behaviour.



**2.65** We take a positive approach to providing suitable workplace adjustments for colleagues who need them, and guarantee interviews to all disabled candidates meeting minimum role and selection adjustment criteria for vacancies. Our approach extends to our learning and development offer, including support to colleagues undertaking professional accountancy training. We also support colleagues who become disabled while with us, so they can stay and prosper in work. We use specialist organisations to give us advice on how best to support disabled and neurodivergent colleagues and those with longer-term health conditions to fulfil their potential in the workplace. Colleagues also have access to an employee assistance programme which provides confidential, independent, professional information and emotional support to staff and is always available. We also have trained mental health first aiders who provide confidential support and guidance to colleagues facing a mental health issue.

---

# Parliamentary accountability and audit report

## Statement of Outturn against Parliamentary Supply

**2.66** In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the government Financial Reporting Manual asks that we prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. See **Figures 21 to 26** below. The SOPS provides a detailed view of financial performance in a form that is voted on and recognised by Parliament. The section on 'Financial performance' in the Performance report summarises outturn against estimate and is an introduction to the SOPS disclosures.

**2.67** The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate.<sup>29</sup> Its format mirrors the Supply Estimate to enable comparison between what Parliament approves and the final outturn. The SOPS includes a summary table detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

---

<sup>29</sup> Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to use. Supply is voted on by Parliament on an annual basis in Estimates and in the Appropriation Acts. Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The supporting notes also include:

- outturn by Estimate line, providing a more detailed breakdown (SOPS1);<sup>30</sup>
- a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOPS to the Financial statements (SOPS2); and
- a reconciliation of outturn to net cash requirement (SOPS3).

**2.68** The SOPS and supporting notes are subject to audit, as detailed in the Independent Auditor's Certificate and Report to the House of Commons.

---

<sup>30</sup> The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Information on the Public Spending Framework and the reasons why budgeting rules are different from IFRS can be found in chapter 1 of the Consolidated Budgeting Guidance, available on [gov.uk](https://www.gov.uk)

**Figure 21****Statement of Outturn against Parliamentary Supply (SOPS), 2024-25 (audited)**

Type of spend	SOPS note	Outturn			Estimate			Outturn vs Estimate: saving/(excess)		Prior year outturn total 2023-24
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	
<b>Departmental Expenditure Limit</b>										
Resource	1.1	100,216	315	100,531	101,900	330	102,230	1,684	1,699	92,581
Capital	1.2	4,219	0	4,219	4,300	0	4,300	81	81	3,003
<b>Total budget expenditure</b>		<b>104,435</b>	315	104,750	<b>106,200</b>	330	106,530	<b>1,765</b>	<b>1,780</b>	<b>95,584</b>
Non-budget expenditure		0	0	0	0	0	0	0	0	0
<b>Total budget and non-budget</b>		<b>104,435</b>	315	104,750	<b>106,200</b>	<b>330</b>	<b>106,530</b>	<b>1,765</b>	<b>1,780</b>	<b>95,584</b>

**Notes**

1 All figures are presented in £000s.

2 Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on [gov.uk](https://gov.uk), for detail on the control limits voted by Parliament.

3 All of the National Audit Office's resources are deemed equivalent to Resource DEL or Capital DEL (Departmental Expenditure Limit).

Source: National Audit Office analysis of finance data

## Figure 22

### Net cash requirement, 2024-25 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior year outturn total 2023-24
Net cash requirement	3	100,551	101,500	949	93,576

#### Note

1 All figures presented in £000s.

Source: National Audit Office analysis of finance data

## Figure 23

### Programme costs, 2024-25 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior year outturn total 2023-24
Programme costs	1.1	100,216	101,900	1,684	92,281

#### Notes

1 All figures are presented in £000s.

2 Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Source: National Audit Office analysis of finance data

# Notes to the Statement of Outturn against Parliamentary Supply

## SOPS1. Outturn detail, by Estimate line.

**Figure 24**

### SOPS1.1 Analysis of resource outturn by Estimate line, 2024-25 (audited)

Type of spend (Resource)	Resource outturn			Estimate	Outturn vs Estimate: saving/ (excess)	Prior year outturn total 2023-24
	Gross	Income	Net total	Net total		
Spending in Departmental Expenditure Limit (DEL)						
<b>Voted expenditure</b>						
A – Provision of audit and other assurance services	132,299	(32,083)	100,216	101,900	1,684	92,281
<b>Total voted DEL</b>	<b>132,299</b>	<b>(32,083)</b>	<b>100,216</b>	<b>101,900</b>	<b>1,684</b>	<b>92,281</b>
<b>Non-voted expenditure</b>						
B – The Chair and the Comptroller and Auditor General costs	315	0	315	330	15	300
<b>Total non-voted DEL</b>	<b>315</b>	<b>0</b>	<b>315</b>	<b>330</b>	<b>15</b>	<b>300</b>
<b>Total spending in DEL</b>	<b>132,614</b>	<b>(32,083)</b>	<b>100,531</b>	<b>102,230</b>	<b>1,699</b>	<b>92,581</b>

**Note**

1 All figures are presented in £000s.

Source: National Audit Office analysis of finance data



**Figure 25**

**SOPS1.2 Analysis of capital outturn by Estimate line, 2024-25 (audited)**

Type of spend (Capital)	Capital outturn			Estimate	Outturn vs Estimate: saving/ (excess)	Prior year outturn total 2023-24
	Gross	Income	Net total			
Spending in Departmental Expenditure Limit (DEL)						
<b>Voted expenditure</b>						
A – Provision of audit and other assurance services	4,219	0	4,219	4,300	81	3,003
<b>Total voted DEL</b>	<b>4,219</b>	<b>0</b>	<b>4,219</b>	<b>4,300</b>	<b>81</b>	<b>3,003</b>

**Note**

1 All figures are presented in £000s.

Source: National Audit Office analysis of finance data

**SOPS2. Reconciliation of resource outturn to net operating expenditure**

**2.69** No reconciliation is required as total resource outturn in the SOPS is the same as net operating expenditure in the SoCNE.

## SOPS3. Reconciliation of net resources to net cash requirement

**Figure 26**

### SOPS3 Reconciliation of net resources to net cash requirement, 2024-25 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
Total resource outturn	1.1	100,531	102,230	1,699
Total capital outturn	1.2	4,219	4,300	81
<b>Accruals to cash adjustments</b>				
<b>Adjustments to remove non-cash items</b>				
Depreciation		(4,357)	(4,300)	57
Change in provisions		(86)	(1)	85
Other non-cash items		287	–	(287)
<b>Adjustments to reflect movements in working balances</b>				
Increase/(decrease) in receivables		555	(200)	(755)
(Increase)/decrease in payables		(283)	(199)	84
Use of provisions		–	–	–
<b>Total</b>		<b>100,866</b>	<b>101,830</b>	<b>964</b>
<b>Removal of non-voted budget items</b>				
Consolidated Fund Standing Services		(315)	(330)	(15)
<b>Net cash requirement</b>		<b>100,551</b>	<b>101,500</b>	<b>949</b>

#### Notes

1 All figures are presented in £000s.

2 The outturn and the Estimate are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Source: National Audit Office analysis of finance data.

## Fees and charges (audited)

**2.70** We charge fees for our audit work and other services where permitted under legislation and set these to cover the planned cost of the service using a Scheme of Fees approved by the Public Accounts Commission, also following HM Treasury guidance in [Managing Public Money](#). We plan not to profit at the expense of the public body receiving our services but aim to avoid making a loss. **Figure 27** records our fees and charges.

**2.71** Figure 27 shows that, for our audit and assurance work, we did not recover our costs fully from fees charged during the financial year. The deficit between fees and costs for this work increased to £5.8 million in 2024-25 from £5.2 million in 2023-24. In some instances, we do not recover all costs directly from audited bodies where these relate to transition and familiarisation costs associated with new audits, or where a gap between fees and expenditure has arisen historically which we plan to close over a number of years. Some £1.1 million of the deficit (£1.1 million in 2023-24) is the VAT we pay on our external costs which cannot be recovered from HM Revenue & Customs (see note to Figure 27).

**Figure 27**
**Fees and charges (audited)**

<b>2024-25</b>			
	<b>Income</b>	<b>Expenditure</b>	<b>Surplus/(deficit)</b>
	<b>(£000)</b>	<b>(£000)</b>	<b>(£000)</b>
Audit and assurance work <sup>1,2</sup>	29,676	35,486	(5,810)
Secondment income	261	164	97
Rental of office space <sup>3</sup>	2,053	1,495	558
Grant income	93	93	-
<b>Total</b>	<b>32,083</b>	<b>37,238</b>	<b>(5,155)</b>
<b>2023-24</b>			
Audit and assurance work <sup>1,2</sup>	27,756	32,943	(5,187)
Secondment income	126	160	(34)
Rental of office space <sup>3</sup>	1,774	846	928
Grant income	41	41	-
<b>Total</b>	<b>29,697</b>	<b>33,990</b>	<b>(4,293)</b>

**Notes**

- 1 Income from audited bodies reported in the financial statements is affected by movement in provision for future deficits, a provision which is required by accounting standards.
- 2 The National Audit Office is unable to recover VAT on expenditure incurred in delivering statutory audit work. Of the £5,810,000 total deficit in Audit and assurance work, £4,323,000 relates to statutory audit work (2023-24: £5,187,000 total deficit and £3,839,000 deficit on statutory audit work). If non-recoverable VAT of £1,099,000 is excluded from statutory audit expenditure, the total deficit in Audit and assurance work would be £4,711,000 and the deficit in statutory audit work would be £3,224,000 (2023-24: VAT £1,057,000, £4,130,000 total deficit and £2,786,000 deficit on statutory audit work).
- 3 Rental income is earned in line with agreed rental rates for office space per square foot, with any rent-free period amortised over the period of the lease. Any surplus on rental income is subject to corporation tax.

Source: National Audit Office analysis of finance data

## Losses and special payments (audited)

### Losses (audited)

**2.72** There were no losses that require disclosure because of their size or nature in 2024-25 (2023-24: nil).

### Special payments (audited)

**2.73** The SoCNE for 2024-25 includes special payments of £340,953 in total, which require disclosure because of their size or nature (2023-24: nil). In 2024-25, there was a strong business rationale for agreeing settlement terms outside of the provisions of the civil service compensation scheme. We made seven special severance payments totalling £175,881 (see paragraph 2.57 above). We also made a payment of £165,072 to terminate a contract with a supplier to ensure future service quality and value for money.

## Regularity of expenditure (audited)

**2.74** We exercise prudence and economy in our administration, and ensure efficient and effective use of available resources, avoiding waste and extravagance. We have adequate controls in place to ensure the propriety and regularity of our finances.

**Gareth Davies**  
**Comptroller and Auditor General**  
**24 June 2025**

# Independent Auditor's Certificate and Report to the House of Commons

## Opinion on financial statements

We certify that we have audited the financial statements of the National Audit Office ('NAO') for the year ended 31 March 2025, which comprise the Statement of Comprehensive Net Expenditure, Statement Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards as interpreted by the government Financial Reporting Manual (the "FReM").

In our opinion the financial statements:

- give a true and fair view of the state of the NAO's affairs as at 31 March 2025 and of the NAO's net operating costs for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards as interpreted by the FReM; and
- have been prepared in accordance with the Budget Responsibility and National Audit Act 2011.

## Opinion on regularity

We have audited the Statement of Parliamentary Supply and the related notes. In our opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary Control Totals for the year ended 31 March 2025 and shows these totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

## Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the NAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the NAO's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.



## Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements, the parts of the Accountability Report that are described in that report as having been audited and our auditor's report thereon. Our opinion on the financial statements, the Statement of Parliamentary Supply and related notes, and the information in the Remuneration and staff report and the Parliamentary Accountability Disclosures within the Accountability Report that is described in those reports and disclosures as having been audited does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters

We have also audited the information in the Remuneration and staff report and the Parliamentary Accountability Disclosures within the Accountability Report that is described in those reports and disclosures as having been audited. In our opinion in all material respects:

- the part of the Remuneration and staff report and the Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with guidance issued by HM Treasury; and

- the information given in the Performance Report and the unaudited part of the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Remuneration and staff report and Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Governance statement does not reflect compliance issued by HM Treasury.

## Responsibilities of the Accounting Officer

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the NAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate or cease operations or there is no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are also required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary Control Totals. For the NAO, the voted Parliamentary Control Totals are Departmental Limits (Resource and Capital) and Net Cash Requirement. We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and

discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the NAO operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Budget Responsibility and National Audit Act 2011 and the government Financial Reporting Manual (FReM 24/25) which applies UK adopted IAS. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the NAO's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the NAO for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR) and regulations as the statutory auditor of Companies Act 2006 entities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Accounting Officer and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of revenue and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Audit and Risk Assurance Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit

in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**Crowe U.K. LLP**

Statutory Auditor  
Crowe U.K. LLP  
55 Ludgate Hill  
London  
EC4M 7JW  
UK

**Date:** 24 June 2025

# 03

---

## Financial statements

## Statement of Comprehensive Net Expenditure for the period ended 31 March 2025

		2024-25	2023-24
	Note	(£000)	(£000)
Contract income	6	(29,676)	(27,756)
Other income	6	(2,407)	(1,941)
<b>Total operating income</b>		<b>(32,083)</b>	<b>(29,697)</b>
Staff costs	3	91,699	85,501
Purchase of goods and services	4	36,265	32,425
Non-cash costs	5	4,430	4,181
Tax expense		220	171
<b>Total operating expenditure</b>		<b>132,614</b>	<b>122,278</b>
<b>Net operating expenditure for the year</b>		<b>100,531</b>	<b>92,581</b>
<b>Other comprehensive net expenditure</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net loss/(gain) on revaluation of property, plant and equipment	7	(1,063)	(2,525)
<b>Total comprehensive net expenditure for the year</b>		<b>99,468</b>	<b>90,056</b>

The notes on pages [148](#) to [180](#) form part of these accounts.



## Statement of Financial Position as at 31 March 2025

		2024-25	2023-24
	Note	(£000)	(£000)
<b>Non-current assets:</b>			
Right-of-use assets	7	72,908	72,943
Property, plant and equipment	7	21,052	21,095
Intangible assets	8	4,137	3,146
Receivables falling due after one year	9	344	170
<b>Total non-current assets</b>		<b>98,441</b>	<b>97,354</b>
<b>Current assets:</b>			
Trade and other receivables	9	6,616	7,401
Contract assets – accrued income	9	2,839	1,673
Cash and cash equivalents		421	272
<b>Total current assets</b>		<b>9,876</b>	<b>9,346</b>
<b>Total assets</b>		<b>108,317</b>	<b>106,700</b>
<b>Current liabilities:</b>			
Trade and other payables	10	(8,261)	(8,037)
Contract liabilities – payments received on account	10	(1,021)	(757)
Lease liabilities	11	(234)	(210)
Provisions	12	(86)	
<b>Total current liabilities</b>		<b>(9,602)</b>	<b>(9,004)</b>
<b>Total assets less current liabilities</b>		<b>98,715</b>	<b>97,696</b>
<b>Non-current liabilities:</b>			
Lease liabilities	11	(1,491)	(1,870)
Provisions	12	(187)	(187)
<b>Total non-current liabilities</b>		<b>(1,678)</b>	<b>(2,057)</b>
<b>Total assets less liabilities</b>		<b>97,037</b>	<b>95,639</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		38,446	36,417
Revaluation reserve		58,591	59,222
<b>Total equity</b>		<b>97,037</b>	<b>95,639</b>

The notes on pages [148](#) to [180](#) form part of these accounts.

Gareth Davies

The Comptroller and Auditor General authorised these financial statements  
for issue on 24 June 2025

## Statement of Cash Flows for the period ended 31 March 2025

		2024-25	2023-24
	Note	(£000)	(£000)
<b>Cash flows from operating activities:</b>			
Net operating expenditure for the year		(100,531)	(92,581)
Adjustments for non-cash transactions	5	4,430	4,181
(Increase)/decrease in trade and other receivables	9	611	(1,466)
(Increase)/decrease in contract assets	9	(1,166)	1,006
Increase/(decrease) in trade and other payables	10	65	(512)
Increase/(decrease) in contract liabilities	10	264	(913)
Other working capital movements not passing through the Statement of Comprehensive Net Expenditure		(56)	(55)
Change in provisions		86	(147)
<b>Net cash outflow from operating activities</b>		<b>(96,297)</b>	<b>(90,487)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	7	(2,843)	(2,383)
Purchase of intangible assets	8	(1,376)	(620)
Increase/(decrease) in non trade payables	10	10	(209)
<b>Net cash outflow from investing activities</b>		<b>(4,209)</b>	<b>(3,212)</b>
<b>Cash flows from financing activities:</b>			
From the Consolidated Fund (Supply) – current year		100,700	93,400
Consolidated Fund Standing Services	4	315	300
Cash repayments of principal on leases		(360)	(177)
<b>Net financing</b>		<b>100,655</b>	<b>93,523</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>149</b>	<b>(176)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>272</b>	<b>448</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>421</b>	<b>272</b>

The notes on pages [148](#) to [180](#) form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the period ended 31 March 2025

		General fund	Revaluation reserve	Total reserves
	Note	(£000)	(£000)	(£000)
<b>Changes in taxpayers' equity</b>				
<b>Balance at 31 March 2023</b>		<b>33,374</b>	<b>58,445</b>	<b>91,819</b>
Net Parliamentary Funding drawn down		93,400	–	93,400
Net Parliamentary Funding deemed		448	–	448
Supply payable adjustment		(272)	–	(272)
Consolidated Fund Standing Services	4	300	–	300
Comprehensive net expenditure for the year		(92,581)	2,525	(90,056)
Realised element of revaluation reserve		1,748	(1,748)	–
<b>Balance at 31 March 2024</b>		<b>36,417</b>	<b>59,222</b>	<b>95,639</b>
Net Parliamentary Funding drawn down		100,700	–	100,700
Net Parliamentary Funding deemed		272	–	272
Supply payable adjustment		(421)	–	(421)
Consolidated Fund Standing Services	4	315	–	315
Comprehensive net expenditure for the year		(100,531)	1,063	(99,468)
Realised element of revaluation reserve		1,694	(1,694)	–
<b>Balance at 31 March 2025</b>		<b>38,446</b>	<b>58,591</b>	<b>97,037</b>

The notes on pages [148](#) to [180](#) form part of these accounts.

### Notes

- 1 The General Fund records all changes in financial resources for the year with the exception of those that are recorded in the Revaluation Reserve. This includes the Parliamentary funding provided and the net expenditure for the year.
- 2 The Revaluation Reserve records the gain or loss on the revaluation of assets. The depreciation charge on the revalued asset will be different from the depreciation that would have been charged based on the historical cost of the asset. Each year the National Audit Office transfers an amount equal to the excess annual depreciation from the Revaluation Reserve to the General Fund which makes sure that by the time the asset is fully depreciated there is no residual balance associated with the asset in the Revaluation Reserve.

# Notes to the Financial statements

## 1. Accounting policies, key accounting estimates and judgements

### 1.1 Statement of accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies adopted by the National Audit Office (NAO) are described below. Where the FReM permits a choice of accounting policy, the accounting policy most appropriate to give a true and fair view of the circumstances of the NAO has been selected. They have been applied to all items that are material to the financial statements.

### 1.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except as otherwise set out in the accounting policies. Figures are presented in pounds sterling and are rounded to the nearest £1,000. Transactions in foreign currencies are translated into sterling at the exchange rate at the dates of the transaction. Any assets and liabilities in a foreign currency are translated into sterling at the exchange rate on the date of reporting. Translation differences are recognised in the Statement of Comprehensive Net Expenditure.

## 1.3 Reporting standards issued but not yet effective

There are three reporting standards issued but not yet effective:

### 1. IFRS 17 (Insurance Contracts)

IFRS 17 (Insurance Contracts) was issued in May 2017, replacing IFRS 4 Insurance Contracts. The effective date of IFRS 17 in the public sector is 1 April 2025. IFRS 17 requires that insurance liabilities be measured at the present value of future insurance cash flows, resulting in more uniform measurements and presentation for all insurance contracts. Management has assessed the likely effect of the new standard and has concluded that there are no material assets or liabilities recognised as insurance contracts in the NAO, and therefore this standard will have no impact on the NAO financial statements.

### 2. Non-investment asset valuations

The 2025-26 FReM will update the valuation approach for non-investment assets (for example, property plant and equipment, intangible assets), replacing references to 'service potential' and 'specialised/non-specialised' assets with 'operational capacity'. This change does not alter the valuation basis, which remains Existing Use Value (EUV).

An adaptation to International Accounting Standard (IAS) 16 will remove the requirement to revalue assets solely due to material differences between fair value and carrying value. Assets will now be valued through:

- a quinquennial revaluation with annual indexation;
- a rolling five-year revaluation programme with interim indexation;
- appropriate indices for non-property assets; or
- in rare cases, quinquennial revaluation with a desktop review in year three if no index is available; the option to use the revaluation model for intangible assets is withdrawn; carrying values at 31 March 2025 will be deemed historic cost from 1 April 2025.

### 3. Social benefits

The 2025-26 FReM introduces guidance on social benefits, defined as current transfers to households to meet needs arising from events such as sickness, unemployment, or retirement. Management has assessed the likely effect of the new standard and has concluded that the NAO does not incur any expenditure classified as social benefit payments, and therefore this standard will have no impact on the NAO financial statements.

## 1.4 Financing

The NAO covers some of its expenditure by charging fees for certain financial audits and other services. These are recorded as income in the Statement of Comprehensive Net Expenditure and disclosed in Note 6.

All remaining expenditure is financed from amounts approved by Parliament through the annual Appropriation Act and is credited directly to the General Fund and recorded in the Statement of Changes in Taxpayers' Equity.

## Accounting policies for expenditure

### 1.5 Staff costs

Staff costs include wages and salaries, social security costs and pension costs. All short-term staff costs payable at the year end, which will be paid within one year from the date of reporting, are recognised in the Statement of Comprehensive Net Expenditure. These include any accrued leave entitlements.

### 1.6 Pensions

Most past or present employees are covered by the provisions of the Civil Service pension arrangements, which are defined benefit schemes open to participating public sector bodies in which the benefit the employee receives during retirement is dependent on factors such as age, length of service and salary. These schemes are administered by MyCSP on behalf of the Cabinet Office. The NAO pays contributions into these schemes at an agreed rate. As one of many participating organisations, the NAO is not able to identify its share of any liability for making future pension payments to members and accordingly, the NAO accounts for this as if it were a defined contribution scheme and recognises the costs of these contributions when they fall due.

Employees may opt to join a personal stakeholder pension scheme instead. These are defined contribution schemes where the NAO pays established contribution rates into a separate fund. The amount of pension benefit that a member receives in retirement is dependent on the performance of the fund. The NAO recognises the cost of these contributions in the Statement of Comprehensive Net Expenditure when they fall due. There is no further payment obligation for the NAO once the contributions have been paid.

## 1.7 Early departure costs

Where the NAO ends the employment of a staff member and makes a compensation payment within the rules of the Civil Service Compensation Scheme (CSCS), the cost of that early termination payment is recognised in full in the year the individual accepts the terms of the compensation payment. Such costs would be recognised by the NAO as they fall due and would be listed in the Statement of Comprehensive Net Expenditure and the supporting notes.

## 1.8 VAT on purchases

The NAO partially recovers the VAT it pays on its expenditure by using a methodology agreed with HM Revenue and Customs (HMRC) and, consequently, it is difficult to attribute VAT recoverable to specific items of expenditure. Therefore, all expenditure disclosed in Note 4 includes any VAT paid, and VAT recoverable is shown separately.

## 1.9 Corporation tax

As a body corporate, the NAO is considered to be liable for corporation tax on rental income earned. The tax expense is recognised in the Statement of Comprehensive Net Expenditure.

# Accounting policies for income

## 1.10 Revenue from contracts with customers

The NAO charges fees for financial audits and other services where it is permitted to do so under legislation. In line with the FReM, the NAO has applied the requirements of IFRS 15 (Revenue from Contracts with Customers) to income earned from fee-paying audits and other services. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time. Further information on revenue from contracts with customers is set out in Note 6.

## 1.11 Secondment income

The NAO may second staff to other organisations. Depending on the arrangement, the NAO seeks to recover part or all of the associated salary costs of the staff member on secondment.



## 1.12 Rental income

The NAO rents parts of its London property to third parties. These rental contracts are classified as operating leases. Rental income is recognised as it falls due. Any financial incentives offered, such as rent-free periods, are accounted for separately and apportioned across the non-cancellable term of the lease. Rental income includes a service charge levied on an annual basis to recover central costs borne by the NAO.

## 1.13 Apprenticeship Levy

The NAO can make use of eligible Apprenticeship Levy funds to meet the costs of providing training for its employees. The FReM requires the use of such funds to be treated as a government grant, with grant income recognised at the same point in time that an associated expense for training services is incurred.

## 1.14 Value Added Tax on sales

Where output tax is chargeable, income is stated net of VAT. The NAO charges VAT for work it carries out by agreement. The NAO does not charge VAT for any work it carries out under statute. The NAO did not opt to tax floors of its London property which it rents to third parties and does not charge VAT on rental income.

# Accounting policies for assets and liabilities

## 1.15 Property, plant and equipment and intangible assets

Expenditure of £5,000 or more on property, plant and equipment or intangible assets is capitalised where it is expected to bring benefit over future years. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition.

All non-current assets are reviewed annually for indicators of impairment and are carried at fair value. Property, plant and equipment is depreciated, and intangible assets amortised, on a straight-line basis over their useful lives to ensure that they are reported at their estimated residual value at the end of their lives.

## Property, plant and equipment

Land, buildings, plant and machinery are stated at their current value with reference to a professional valuation carried out at the end of each financial year. All non-property operational assets are valued based on depreciated historic cost as a proxy for fair value. This is because these are relatively short-life or low-value assets whose values do not fluctuate significantly over the period they are in use. Property, plant and equipment and right-of-use assets are depreciated over their useful lives or over the lease term from the date at which they are brought into use. This includes any leasehold improvement costs.

Remaining asset lives are in the following ranges:

Land	Non-depreciable
Building elements	30-60 years
Plant and machinery (including leasehold improvements)	8-16 years
Computers and other equipment	2-10 years
Furniture, fixtures and fittings	5-20 years

## Intangible assets

An intangible asset is an asset that is not physical in nature. In the NAO intangible assets consist of licences for the rights to use software or the costs of developing our own software. Intangible assets are amortised on a straight-line basis over their useful economic life.

Asset lives are in the following ranges:

Intangible assets	Non-depreciable
Internally developed software	10 years
Software licences	2 – 10 years

## Software licences

When the NAO purchases perpetual software licences that it owns outright, the licences are recognised as an intangible asset at the point the licences are delivered to the NAO and the NAO can obtain benefit from them.

## Internally developed software

When the NAO develops its own software, an intangible asset is recognised in line with IAS 38 (Intangible Assets) when the NAO is able to demonstrate that:

- it is technically feasible to complete the software so that it is available for use, and the NAO intends to use it;
- there are sufficient resources available to complete the development;
- it will be available for use and will generate future economic benefits; and the costs of the development can be measured reliably.

Research costs associated with development projects are expensed as incurred; this includes any market engagement and analysis activities and any related procurement or project management costs associated with the research phase.

Subsequent expenditure on internally generated software which consist of a major upgrade or the addition of new features which act to improve performance or capabilities beyond original specifications, extend its useful life, or allows it to be used in new ways are capitalised when it increases future economic benefits. If the expenditure does not enhance the software's future economic benefits, then these are expensed as incurred. Expensed items include maintenance, minor improvements, or bug fixes, as well as training staff to use the software and administrative costs associated with its usage.

## Cloud computing services

When the NAO makes payments in respect of the use of cloud computing services purchased from a third-party service provider (which may include licences for the use of software, the use of an operating environment in which the NAO can develop its own software, or the use of digital processing capability), then these are not capitalised as the NAO has no legal title to, or rights to control of, the underlying assets associated with these services.

This includes associated implementation costs, such as customisation, configuration or training services, which enable the NAO to benefit from the cloud computing service.

## **1.16 Cash and cash equivalents**

Cash and cash equivalents comprise current balances held at the Government Banking Service. Any amounts held in a foreign currency are translated into sterling at the exchange rate on the date of reporting.

## **1.17 Contract receivables and trade receivables**

Contract receivables are amounts invoiced and due in respect of financial audits or other services for which the NAO charges a fee.

Trade receivables are amounts invoiced and due in respect of secondments of NAO staff to other organisations and rental income.

## **1.18 Contract assets (accrued income) and liabilities (payment on account)**

Contract assets (accrued income) relate to the NAO's enforceable right to consideration for our completed performance in respect of fee-paying audits or other services which have not yet been invoiced. It is determined on the basis of percentage completion of contractual work, less any provision for unrecoverable amounts.

Payments received in advance of completed performance are recognised as contract liabilities (payment on account). This is then recognised as income as work is performed.

## **1.19 Leases**

The NAO has a 130-year lease for the use of the London property, which is at a peppercorn rent. The London property is a non-specialised asset with service potential and therefore a right-of-use asset is recognised and measured at current value in existing use following Royal Institution of Chartered Surveyors guidance (as specified in the FReM, cost is not an appropriate proxy for right-of-use assets under peppercorn leases). No lease liability has been recognised on the basis that there are no future lease payments due.

The NAO has a lease for office space in Newcastle which commenced on 1 January 2023 for a term of 10 years. The right of use asset and the corresponding lease liability are recognised in the statement of financial position. The right-of-use asset for the Newcastle office lease is measured using a cost model as a proxy for current value in existing use. This is calculated as the sum of the present value of future lease payments (taking into account any rent-free periods) as well as direct legal and compliance costs of entering into the lease. The cost model valuation is used because the right-of-use asset has a shorter useful life than the underlying asset which would otherwise be valued at fair value. The NAO cannot readily determine the interest rate implicit in the lease, so the future lease payments due are discounted using the HM Treasury lease discount rate applicable at the time the lease was entered into (3.51%).

The NAO does not have any other material leases.

## Accounting estimates and judgements

### 1.20 Contract assets (accrued income) – management estimate

In order to calculate the income to be recognised in respect of financial audits for which the NAO charges a fee, the NAO estimates the stage of completion of each audit so that income can be recognised progressively as services are provided. The stage of completion is determined with reference to the proportion of total budgeted costs which have been incurred at the reporting date. This percentage completion rate is then applied to the audit fees to allocate income to the reporting period, less any provision required for unrecoverable amounts. The future budgeted costs and audit fees of a project are based on estimates provided by individual project managers, which are derived from their experience of prior year audits and knowledge of the audit bodies, and therefore the estimate is not subject to significant uncertainty.

Further information on accrued income is provided in Note 6 of the financial statements.

## 1.21 Property valuation – management judgement

The NAO accounts for its London property (which is on a lease of 130 years) as a right-of-use asset under IFRS 16 and has applied the revaluation model in IAS 16 when measuring the asset value. Each year the NAO considers the current value in existing use of this property, and whether there has been a change year-on-year.

The NAO uses a professional valuer to help arrive at the valuation, who considers expected future rental rates of return and rental values per square foot. The value is apportioned between land and components of the building using an apportionment ratio consistent with longer-term trends. The valuation is sensitive to the factors that affect the demand and supply of office space in the Victoria area of London. More information on this valuation, along with an analysis of the sensitivity of the valuation to changes in underlying assumptions, is included in Note 7.

Any change in the value of the building is accounted for through the Revaluation Reserve. The NAO does not apply a different accounting treatment to those floors of the building sub-let to third parties. Following the provisions of IAS 40 (Investment Property), as adapted by the FReM, the NAO's judgement is that it is not appropriate to account for these elements separately as investment property because a significant portion of the building is owner-occupied and primarily held for the operation of the NAO. If it were to do so, then changes in values of the sub-let parts of the building would be accounted for through the Statement of Comprehensive Net Expenditure.

## 1.22 Audit Transformation Programme – management judgement

The Audit Transformation Programme (ATP) shapes the future of the NAO's financial audit approach. The ATP involves overhauling the NAO's financial audit methodology, implementing new audit software and leveraging IT audit and data analytics.

The NAO has applied the criteria in IAS 38 (Intangible Assets) to determine whether costs incurred as part of the ATP give rise to an intangible asset and should therefore be capitalised. This includes making management judgements about whether particular costs arise from the research phase or the development phase of its related internal projects.

Costs which, in the NAO's judgement, relate to the development phase have been capitalised and included within the 'Internally developed audit software' class of intangible assets. This estimate is not subject to significant uncertainty as values are based on the fulfilment of contractual milestones for each phase of the programme.

The development phase of ATP and its related internal projects is considered to comprise costs which are associated with particular 'sprints' in the context of the Agile (iterative) project management approach that has been used:

- The sprints whose costs have been capitalised relate to developing the prototype selected by the NAO and the deployment of the solution developed.
- Sprints relating to exploratory design costs are considered to be part of the research phase.
- The capitalised costs include the work of contractors, but do not include the costs of staff directly employed by the NAO, whose work includes general oversight of ATP delivery and other research and administration work from which discrete capital development activities cannot be identified.

All other costs entered into as part of the ATP have been recognised as expenditure as they are incurred, because they do not arise from an identifiable intangible asset that will generate probable future economic benefits. These include, but are not limited to, costs incurred to develop the NAO's updated audit methodology and its content (knowledge) libraries of defined risks and audit responses, as well as the costs of staff training on the new software and methodology changes, and the cost of producing written policies and guidance relating to these.

Amortisation is charged on audit software assets over their useful economic lives, commencing from the date each component part of the system first came into general use by the NAO's financial auditors. The ATP is expected to be fully operational across all its components by autumn 2025 for use in the next financial audit planning cycle. The carrying value of all capital items relating to ATP were reviewed as at 31 March 2025 for indicators of impairments and management did not consider there to be any impairment of the asset.



## 2 National Audit Office operating segments

	Financial audit	Value-for- money and wider assurance work	Knowledge	Support to Parliament	2024-25 International relations	Comptroller function	Voted	Non-voted	Total
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Gross expenditure	96,844	20,706	7,081	5,621	1,883	164	132,299	315	132,614
Contract income	(29,238)	–	–	–	(438)	–	(29,676)	–	(29,676)
Other income	(1,762)	(377)	(129)	(102)	(34)	(3)	(2,407)	–	(2,407)
<b>Net expenditure</b>	<b>65,844</b>	<b>20,329</b>	<b>6,952</b>	<b>5,519</b>	<b>1,411</b>	<b>161</b>	<b>100,216</b>	<b>315</b>	<b>100,531</b>

	Financial audit	Value-for- money and wider assurance work	Knowledge	Support to Parliament	2023-24 International relations	Comptroller function	Voted	Non-voted	Total
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Gross expenditure	88,653	19,692	6,147	5,982	1,323	181	121,978	300	122,278
Contract income	(27,489)	–	–	–	(267)	–	(27,756)	–	(27,756)
Other income	(1,411)	(312)	(98)	(95)	(21)	(3)	(1,941)	–	(1,941)
<b>Net expenditure</b>	<b>59,753</b>	<b>19,380</b>	<b>6,049</b>	<b>5,887</b>	<b>1,035</b>	<b>178</b>	<b>92,281</b>	<b>300</b>	<b>92,581</b>

### Notes

- 1 Voted expenditure and income is allocated to the National Audit Office (NAO) by a Parliamentary vote each year through the Supply and Appropriation Act. The NAO reports the use of this expenditure and income under its main operating segments about which further information can be found in the Performance report on pages [69](#) to [74](#).
- 2 Non-voted expenditure comprises the Comptroller and Auditor General's and Chair's salaries and is paid directly from the Consolidated Fund. This is outside of the control of the NAO and is not subject to the same annual Parliamentary approval process.
- 3 Contract income includes fees charged on UK and international audits, costs recovered on the NAO's outward secondment programme to support Parliament and other government bodies, and fees charged for some of the NAO's international relations work. Other income cannot be directly attributed to the NAO's operating segments and has been apportioned between them in line with gross expenditure. In accordance with the FReM, public sector bodies are deemed to be under common control and therefore for the purpose of IFRS 8 we have considered these to be a single customer. During the 2024-25 financial year, £28.7 million (2023-24: £24.6 million): of the NAO's income depended on public sector bodies deemed to be under common control and considered a single customer in the Financial Audit operating segment.
- 4 The chief operating decision body of the NAO is considered to be the Executive Team, and details of its membership can be found on pages [80](#) to [87](#). Due to the integrated nature of the NAO's activities, it is not possible to distinguish meaningfully between assets and liabilities attributable to the different operating segments and, therefore, the Executive Team does not receive information on assets and liabilities by operating segment. For this reason, in line with IFRS 8 (Operating Segments), no such analysis is presented here.

### 3 Staff costs<sup>1</sup>

	2024-25			2023-24		
	Total	Permanent	Temporary	Total	Permanent	Temporary
	(£000)	(£000)	(£000)	(£000)	£000	£000
Wages and salaries	66,157	63,913	2,244	62,428	59,035	3,393
Social security costs	7,658	7,658	–	7,054	7,054	–
Pension costs	17,884	17,884	–	16,019	16,019	–
<b>Gross costs</b>	<b>91,699</b>	<b>89,455</b>	<b>2,244</b>	<b>85,501</b>	<b>82,108</b>	<b>3,393</b>
Secondment income	(261)	(261)	–	(126)	(126)	–
<b>Net costs</b>	<b>91,438</b>	<b>89,194</b>	<b>2,244</b>	<b>85,375</b>	<b>81,982</b>	<b>3,393</b>

#### Note

<sup>1</sup> Details on staff numbers and related costs can be found in the Remuneration and staff report on pages [108](#) to [125](#).

## 4 Purchase of goods and services

	2024-25	2023-24
	(£000)	(£000)
Professional services <sup>1</sup>	18,732	18,194
Audit technology	1,306	996
Facilities management	6,719	5,665
Travel, subsistence, hospitality	1,438	1,216
Digital services	4,986	4,045
Recruitment and training	1,390	1,435
Staff-related costs	897	678
External auditors – audit fee	75	73
– other work	89	48
Other administration costs	1,126	1,097
Operating lease rentals	210	91
VAT recoverable <sup>2</sup>	(1,018)	(1,413)
<b>Total voted costs</b>	<b>35,950</b>	<b>32,125</b>
Comptroller and Auditor General salary <sup>3</sup>	267	255
Chair salary <sup>3</sup>	48	45
<b>Total non-voted costs</b>	<b>315</b>	<b>300</b>
	<b>36,265</b>	<b>32,425</b>

### Notes

- 1 Expenditure in relation to professional services largely relates to payments for financial audit services with the remaining balance relating to legal and administrative costs.
- 2 The National Audit Office (NAO) partially recovers VAT on its expenditure on an agreed methodology with HMRC, therefore VAT recovered cannot be directly attributed to specific expenditure and has been disclosed separately.
- 3 The Comptroller and Auditor General's and Chair's salaries include employer social security costs.

## 5 Non-cash costs

	2024-25	2023-24
	(£000)	(£000)
Depreciation on right-of-use assets	1,032	1,025
Depreciation on plant and machinery	1,244	1,258
Depreciation on computers and furniture	1,676	1,518
Amortisation on intangible assets	405	242
<b>Total depreciation</b>	<b>4,357</b>	<b>4,043</b>
Loss on disposal	12	67
Interest on lease liabilities	61	71
<b>Total non-cash costs</b>	<b>4,430</b>	<b>4,181</b>

## 6 Income

In line with its accounting policy, the NAO has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.

### Identification of a contract

The basis of the different streams of audit work are set out below.

Audit income stream	Basis for identifying a contract	Performance obligation
<b>Statutory audit</b>	For those audits where we are appointed auditors under statute and we charge a fee directly to the body.  There is no legal contract with fee-paying statutory audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income. The contract is deemed to be as set out in the Letter of Understanding between the NAO and the audited body.	Issue a certificate and report of the C&AG to Parliament
<b>Agreement audit (including international audits)</b>	For those audits where we are appointed auditors by the organisation's board under their own governance arrangements and have a contract with them in the form of a Letter of Engagement.	Issue a certificate and report of the C&AG to Parliament
<b>Companies Act audit</b>	For these audits, we are appointed auditors by the board of the organisation under the Companies Act 2006 and therefore have a contract with them in the form of a Letter of Engagement.	Issue an independent auditor's report to the members of the company
<b>International relations</b>	For these assignments, we contract with international bodies to provide advisory and capacity building services.	Issue a report or advice as per the terms of the engagement

### Identification of performance obligations

The NAO has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in the Letter of Understanding or Letter of Engagement, or contract for services in the case of other services provided to international bodies. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion: they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.

## 6 *Income continued*

### **Determination of when performance obligations are satisfied**

The NAO has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the NAO's performance of the engagement does not create an asset with an alternative use to the NAO, and the NAO has an enforceable right to payment for performance completed to date.

The majority of the NAO's financial audits are on an annual cycle. The fee (which is based on estimated costs to the NAO) and invoicing schedule is agreed between the individual assignment teams and the client. The NAO is entitled to recover costs in respect of work completed to date at any stage of the audit. The typical schedule is to invoice audits with fees over £50,000 in two instalments, and all other audits are invoiced when the audit is complete. The payment terms are that audit fee invoices should be paid within 30 days. Contracts for audit services do not have a significant financing component, and the consideration amount is not variable, except in respect of fee increases where it has become necessary to perform additional work.

### **Allocation of transaction price to performance obligations**

Revenue is recognised in relation to percentage completion against budgeted costs. Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time, travel expenses and other costs incurred represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

## 6 Income *continued*

	2024-25	2023-24
	(£000)	(£000)
<b>Contract income</b>		
<b>Audit and assurance</b>		
Statutory audit income	15,759	14,310
Agreement audit income	5,009	6,087
Companies Act audit income	8,470	7,092
	<b>29,238</b>	<b>27,489</b>
<b>International relations</b>	438	267
<b>Total contract income</b>	<b>29,676</b>	<b>27,756</b>
<b>Other income</b>		
Secondment income	261	126
Rental of office space	2,053	1,774
Grant income	93	41
<b>Total other income</b>	<b>2,407</b>	<b>1,941</b>
<b>Total income</b>	<b>32,083</b>	<b>29,697</b>

### Notes

- 1 Included within contract income earned for the year is £747,000 (2023-24: £1,670,000) which had been received in advance at the last reporting date and had been included as a contract liability (payment on account) in the prior year Statement of Financial Position.
- 2 Included within contract income is £2,846,000 in relation to changes in fee quotes to audits that were in progress at the previous reporting date. The effect of these changes has been included in the revenue figure for the year. The prior year equivalent was an increase of £1,000,000.
- 3 As at the current reporting date, we expect to earn future income of £19,479,000 (2023-24: £17,507,000) for audits which are currently in progress. The typical audit cycle is a year, and therefore we expect to recognise the majority of this income in the next reporting period.



## 7 Property, plant and equipment and right-of-use assets

2024-25	Right-of-use assets					Property, plant and equipment		
	London office (land element)	London office (building element)	Newcastle office	Total	Plant and machinery	Computers and other equipment	Furniture, fixtures and fittings	Total
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Cost or valuation								
At 1 April 2024	39,635	31,294	2,540	73,469	16,719	6,594	3,619	26,932
Additions	–	694	–	694	1,478	427	244	2,149
Disposals	–	–	–	–	(61)	(273)	(43)	(377)
Reclassification	–	283	–	283	(252)	–	(31)	(283)
Revaluation	(1,184)	408	–	(776)	(51)	–	–	(51)
Impairment	–	–	(72)	(72)	–	–	–	–
At 31 March 2025	38,451	32,679	2,468	73,598	17,833	6,748	3,789	28,370
Depreciation								
At 1 April 2024	–	–	526	526	128	3,031	2,678	5,837
Charged in year	–	796	236	1,032	1,244	1,510	166	2,920
Disposals	–	–	–	–	–	(302)	(43)	(345)
Reclassification	–	–	–	–	–	–	–	–
Revaluation	–	(796)	–	(796)	(1,094)	–	–	(1,094)
Impairment	–	–	(72)	(72)	–	–	–	–
At 31 March 2025	–	–	690	690	278	4,239	2,801	7,318
Net book value								
At 31 March 2025	38,451	32,679	1,778	72,908	17,555	2,509	988	21,052
At 31 March 2024	39,635	31,294	2,014	72,943	16,591	3,563	941	21,095

## 7 Property, plant and equipment and right-of-use assets *continued*

### Notes

#### Right-of-use asset – London Office

- 1 The National Audit Office (NAO) has a 130-year lease for the use of the London property, which is at a peppercorn rent – further details of this is included in note 1.19.
- 2 The NAO obtains a professional valuation of its land and buildings each year – this comprises the London office and plant and machinery. The NAO London headquarters is valued using the valuation techniques in the RICS Valuation – Global Standards 2023 ('The Red Book') and UK National Supplement (2023) to estimate the existing use value of the portion of the building occupied by the NAO and the market value of the portion that is available for occupation by tenants. The valuers have regard to the building's location, style, part sub-let/part owner-occupied nature and prevailing market conditions, as well as the rents paid for other office spaces on the market. The valuers apportion the total value of the property between the land and building elements.
- 3 Montagu Evans (independent property consultants and surveyors, and a member of RICS) valued the land, building and lifts (included within plant and machinery) for the London office at £86.9 million as at 31 March 2025 (31 March 2024: £86 million).
- 4 The accounting adjustment in the revaluation reserve was a reduction of £1.1 million after considering the net effect of the change in value of the building, the additions during the year and the annual depreciation charge.
- 5 The valuation is sensitive to changes in the underlying assumptions. The key sensitivities are as follows:
  - A change in rental yield of -0.5% and a change in market rental value by 2.5% (£1 per square foot) could lead to a change in the value of the London office to increase by £10.2 million to £97.1 million.
  - A change in rental yield of +0.5% and a change in market rental value by -2.5% (£1 per square foot) could lead to a change in the value of the London office to decrease by -£8.2 million to £78.6 million.
- 6 Further information on the key judgements relating to the valuation is provided in Note 1.21.

#### Right-of-use asset – Newcastle Office

- 1 The NAO has a 10 year lease for the use of the Newcastle office (The Spark) which commenced in January 2023 – further details of this is included in note 1.19.

## 7 Property, plant and equipment and right-of-use assets *continued*

2023-24	London office (land element)	Right-of-use assets		Total	Plant and machinery	Property, plant and equipment		Total
		London office (building element)	Newcastle office			Computers and other equipment	Furniture, fixtures and fittings	
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
<b>Cost or valuation</b>								
<b>At 1 April 2023</b>	<b>36,636</b>	<b>32,809</b>	<b>2,485</b>	<b>71,930</b>	<b>16,900</b>	<b>9,603</b>	<b>3,905</b>	<b>30,408</b>
Additions	–	173	55	228	549	1,377	284	2,210
Disposals	–	–	–	–	–	(4,386)	(570)	(4,956)
Reclassification	–	–	–	–	–	–	–	–
Revaluation	2,999	(1,688)	–	1,311	(730)	–	–	(730)
Impairment	–	–	–	–	–	–	–	–
<b>At 31 March 2024</b>	<b>39,635</b>	<b>31,294</b>	<b>2,540</b>	<b>73,469</b>	<b>16,719</b>	<b>6,594</b>	<b>3,619</b>	<b>26,932</b>
<b>Depreciation</b>								
<b>At 1 April 2023</b>	<b>–</b>	<b>–</b>	<b>302</b>	<b>302</b>	<b>13</b>	<b>5,998</b>	<b>3,100</b>	<b>9,111</b>
Charged in year	–	801	224	1,025	1,258	1,372	146	2,776
Disposals	–	–	–	–	–	(4,339)	(568)	(4,907)
Reclassification	–	–	–	–	–	–	–	–
Revaluation	–	(801)	–	(801)	(1,143)	–	–	(1,143)
Impairment	–	–	–	–	–	–	–	–
<b>At 31 March 2024</b>	<b>–</b>	<b>–</b>	<b>526</b>	<b>526</b>	<b>128</b>	<b>3,031</b>	<b>2,678</b>	<b>5,837</b>
<b>Net book value</b>								
<b>At 31 March 2024</b>	<b>39,635</b>	<b>31,294</b>	<b>2,014</b>	<b>72,943</b>	<b>16,591</b>	<b>3,563</b>	<b>941</b>	<b>21,095</b>
At 31 March 2023	36,636	32,809	2,183	71,628	16,887	3,605	805	21,297

## 8 Intangible assets

2024-25	Internally-developed audit software	Other intangible assets	Total
	(£000)	(£000)	(£000)
<b>Cost</b>			
At 1 April 2024	3,463	261	3,724
Additions	1,048	328	1,376
Disposals	–	(166)	(166)
Impairment	–	–	–
<b>At 31 March 2025</b>	<b>4,511</b>	<b>423</b>	<b>4,934</b>
<b>Amortisation</b>			
At 1 April 2024	317	261	578
Charged in year	374	32	406
Disposals	–	(187)	(187)
Impairment	–	–	–
<b>At 31 March 2025</b>	<b>691</b>	<b>106</b>	<b>797</b>
<b>Net book value</b>			
<b>At 31 March 2025</b>	<b>3,820</b>	<b>317</b>	<b>4,137</b>
At 31 March 2024	3,146	–	3,146

## 8 Intangible assets *continued*

2023-24	Internally-developed audit software	Other intangible assets	Total
	(£000)	(£000)	(£000)
<b>Cost</b>			
At 1 April 2023	2,861	755	3,616
Additions	602	18	620
Disposals	–	(512)	(512)
Reclassification	–	–	–
Impairment	–	–	–
<b>At 31 March 2024</b>	<b>3,463</b>	<b>261</b>	<b>3,724</b>
<b>Amortisation</b>			
At 1 April 2023	82	747	829
Charged in year	235	7	242
Disposals	–	(493)	(493)
Reclassification	–	–	–
Impairment	–	–	–
<b>At 31 March 2024</b>	<b>317</b>	<b>261</b>	<b>578</b>
<b>Net book value</b>			
<b>At 31 March 2024</b>	<b>3,146</b>	<b>–</b>	<b>3,146</b>
At 31 March 2023	2,779	8	2,787

### Note

1 Internally-developed audit software consists of costs incurred in delivering the Audit Transformation Programme detailed in Note 1. Other intangible assets consist of licences for the rights to use software or the costs of developing our own non-audit related software.

## 9 Trade and other receivables

	2024-25	2023-24
	(£000)	(£000)
<b>Amounts falling due within one year:</b>		
Contract receivables	4,533	5,585
Trade receivables	188	252
Deposits and advances	49	49
Other receivables	139	93
Prepayments	1,707	1,422
<b>Trade and other receivables</b>	<b>6,616</b>	<b>7,401</b>
Contract assets – accrued income	2,839	1,673
<b>Subtotal</b>	<b>9,455</b>	<b>9,074</b>
<b>Amounts falling due after more than one year:</b>		
Other receivables	344	170
	<b>344</b>	<b>170</b>
<b>Total</b>	<b>9,799</b>	<b>9,244</b>

### Notes

- 1 The contract receivables balance primarily relates to audit and assurance work.
- 2 There were no impairment losses and nil loss allowance for expected credit losses on any receivables or contract assets in 2024-25 (2023-24: nil loss allowances for expected credit losses and nil on any contract assets). Other receivables include lease incentives granted to tenants of our London office, some of which relate to future years.
- 3 The Trade and other receivables figure under Current assets in the Statement of Financial Position is the total of Amounts falling due within one year from Note 9, excluding Contract assets – accrued income, which is shown in a separate line.

## 10 Trade and other payables

	2024-25	2023-24
	(£000)	(£000)
<b>Amounts falling due within one year</b>		
Amounts payable to HM Revenue and Customs	1,189	224
Trade payables	15	599
Other payables	-	94
Accruals	6,636	6,848
Amounts issued from the Consolidated Fund for supply but not spent at year-end	421	272
<b>Trade and other payables</b>	<b>8,261</b>	<b>8,037</b>
Contract liabilities - payments received on account	1,021	757
<b>Subtotal</b>	<b>9,282</b>	<b>8,794</b>
<b>Amounts falling due after more than one year</b>		
Other payables	-	-
	-	-
<b>Total</b>	<b>9,282</b>	<b>8,794</b>

### Note

- 1 The accruals figure primarily relates to expenditure incurred for services provided in the financial year for which the NAO has not yet been invoiced and the annual leave accrual which reflects the cost of employees' unused holiday entitlement earned by the end of the reporting period.



# 11 Lease liabilities

	2024-25	2023-24
	(£000)	(£000)
Payable within 1 year <sup>2</sup>	234	210
Payable later than 1 year and not later than 5 years	1,137	1,098
Payable in more than 5 years	354	772
<b>Total</b>	<b>1,725</b>	<b>2,080</b>

Information about the National Audit Office's (NAO's) leases may be found either elsewhere within the financial statements as cross-referenced in the following table or as disclosed further below.

	Note
Depreciation charge for right-of-use assets by class of underlying asset	7
Interest expense on lease liabilities	5
Income from subleasing right-of-use assets <sup>3</sup>	6
Additions to right-of-use assets	7
Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset	7
Information about the NAO's leasing activities	1.19

## Notes

- 1 The lease liabilities recognised in the Statement of Financial Position relate to the lease on the NAO's Newcastle office.
- 2 The lease liability amount payable within one year of 31 March 2025 is significantly smaller than the amounts payable in subsequent years. This is because the liability covers the full 10-year lease for Newcastle office space, of which only part relates to payments due next year.
- 3 All rental income relates to subletting of office space within the NAO's London headquarters, which is recognised as a right-of-use asset on peppercorn terms.
- 4 The total cash outflow for leases during 2024-25 was £360,000 (2022-23: £305,000).

## 12 Provisions for liabilities and charges

	Dilapidations	Other	Total
	(£000)	(£000)	(£000)
Balance at 1 April 2024	187	–	187
Provided in the year	–	86	86
Provisions not required written back	–	–	–
Provisions utilised in the period	–	–	–
Change in discount rate	–	–	–
Unwinding of discounts	–	–	–
<b>Balance at 31 March 2025</b>	<b>187</b>	<b>86</b>	<b>273</b>

	Dilapidations	Other	Total
	(£000)	(£000)	(£000)
<b>Analysis of expected timing of discounted flows</b>			
Payable within 1 year	–	86	86
Payable later than 1 year and not later than 5 years	–	–	–
Payable in more than 5 years	187	–	187
<b>31 March 2025</b>	<b>187</b>	<b>86</b>	<b>273</b>

### Dilapidation provision

The National Audit Office moved into a new Newcastle office at The Spark, Drayman's Way in May 2023 and recognised a dilapidations provision in 2023-24 for its share of the dismantling costs of this office. The provision is expected to be utilised between 2032 and 2033 as the lease terminates. This provision is reviewed on an annual basis to confirm it remains reasonable.

### Other provisions

These are legal provisions which relate to ongoing legal matters brought against the NAO.

## 13 Maturity analysis of lease payments to be received under operating leases

	2024-25	2023-24
	(£000)	(£000)
<b>Undiscounted lease payments to be received under operating leases where the NAO is the lessor</b>		
Receivable within 1 year	1,476	1,357
Receivable later than 1 year and not later than 2 years	1,421	934
Receivable later than 2 years and not later than 3 years	832	934
Receivable later than 3 years and not later than 4 years	425	797
Receivable later than 4 years and not later than 5 years	–	260
Receivable later than 5 years	–	–
<b>Total</b>	<b>4,154</b>	<b>4,282</b>

### Note

- 1 The lease information above relates to the letting of office space in the London headquarters building. The balance above reflects the cash payments expected over the remaining non-cancellable term of each lease. A separate service charge is also levied (and is included in rental income in Note 6) to recover the cost of utilities and other facilities costs borne by the NAO. This charge is not included within the figures above as it varies annually.

## 14 Financial instruments

The NAO's resource requirements are met from Parliament through the Estimates process and from income. The NAO has no powers to borrow money or to invest surplus funds. The only financial instruments held by the NAO are those which arise from the NAO's day-to-day operational activities and include trade and other receivables (Note 9) and trade and other payables (Note 10). The carrying value of the financial instruments approximates to their fair value, and the NAO is exposed to limited credit, liquidity or market risk.

All financial assets and financial liabilities recognised in Notes 9 and 10 are measured at amortised cost.

### Liquidity risk

The NAO's net revenue resource requirements and capital expenditure are financed by resources voted annually by Parliament or through fees charged to bodies funded by Parliament. The NAO is therefore not exposed to material liquidity risks.

### Credit risk

The NAO charges fees for both audit and other services. There has been no history of default on any amounts due to the NAO and management assess its counter parties not to present a significant credit risk. Management have assessed the NAO's credit exposures:

- The majority of bodies for which the NAO charges for audit services are government-owned companies and other public bodies. These are guaranteed, or receive, funding from Parliament. The NAO has assessed that the related receivables are not subject to material credit risk because the majority of NAO clients continue to deliver required public services that are expected to be funded by Parliament. The NAO has not observed any trend of delays or failure to make payment during 2024-25.

- Amounts due from audit bodies in respect of work invoiced as at 31 March 2025 were £4.9 million (31 March 2024: £5.7 million);
- The NAO also rents out space in its London building to third parties for which it charges quarterly. Management has concluded that the NAO is not exposed to significant credit risk from rental income.
- The amounts expected to be recovered have been reflected in the rent receivables balance within trade receivables, as adjusted for the loss allowance for expected credit losses recognised in accordance with IFRS 9. There was nil loss allowance on income receivable for 2024-25 (2023-24: nil).

## Foreign currency risk

From time to time, the NAO has some exposure to foreign currency markets because fees for some international work are denominated in US dollars or euros. Before pricing or commissioning work, the NAO seeks to identify the potential exposure to exchange rate variations and to manage the risk accordingly. The NAO does not maintain significant assets or liabilities in foreign currency, except for minor operational cash balances to meet short-term costs of overseas assignments. There is no material foreign currency exposure risk as at 31 March 2025 (there was no material foreign currency exposure as at 31 March 2024).

## 15 Related party and other transactions

The NAO is headed by the Comptroller and Auditor General and was established as a body corporate by the Budget Responsibility and National Audit Act 2011. The NAO is independent of government and is accountable to Parliament through the Public Accounts Commission. The NAO does not have any related party relationships as defined by IAS 24 (Related Party Disclosures).

The NAO does have transactions with government departments and central government bodies which are also audited by the NAO. These are not related party transactions, but, given the role of the NAO, they may be of interest to users of the financial statements and have been disclosed for the purposes of transparency. These transactions consist of the following:

- The provision of accommodation, training courses and the hosting of seminars for public sector bodies for which the NAO may charge a fee. The amounts are not material to the parties involved.
- The NAO provides capacity-building services to other supreme audit institutions and receives funding to cover the costs of this work. The funding can come from many sources but may be directly from government bodies. In 2024-25 the NAO raised invoices of £414,916 to the Foreign, Commonwealth and Development Office and its contractors and subsidiaries (2023-24: £228,394 from the FCDO and its contractors).
- The NAO works alongside the INTOSAI Development Initiative (IDI) of which the C&AG is also a Board Member on capacity building projects. The NAO has contributed £50,000 (2023-24: £27,000) worth of resources to these projects which includes staff time and travel costs, under a programme ultimately funded by FCDO.
- Routine transactions with HM Revenue and Customs to meet statutory taxation requirements and with Cabinet Office which operates the Principal Civil Service Pension Scheme.

- Contractual relationships with organisations who occupy space in the NAO's headquarters building and pay rental to the NAO on commercial terms. They also pay a share of the running costs of those parts of the building which they use and which we recover from them through a service charge. Before we enter into agreements we assess the ethical considerations of these relationships, consider whether the annual rental income is material to the NAO or to the organisation, and make sure that safeguards are in place to preserve the independence of the C&AG. Further information on these transaction values is set out in the table below.

Party	Nature of relationship with the party	Rent and service charge invoiced	
		2024-25	2023-24
Ordnance Survey – lease ended May 2023	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since January 2012	Nil	£57,664 (of which £46,000 relates to the rental of office space)
Office for Nuclear Regulation	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since April 2024	£171,745 (of which £106,000 relates to the rental of office space)	Nil
The Lampard Inquiry (Department of Health and Social Care). The lease is with the Secretary of State for Levelling Up, Housing and Communities who has entered into this Lease on behalf of the Government Property Agency	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since May 2024	£222,424 (of which £140,000 relates to the rental of office space)	Nil



## 16 Capital commitments

As at 31 March 2025, the NAO had the below contracted capital commitments to be spent in the 2025-26 financial year.

Contract	Capital commitment	
	2024-25	2023-24
Audit Transformation Programme – further details of this can be found in note 1.22	£59,165	£994,000
Future of the London Office (FOLO) Refurbishment Project	£1,500,000	Nil

## 17 Special payments

The Statement of Comprehensive Net Expenditure (SoCNE) includes special payments of £340,953 (2023-24: nil) comprising eight special severance payments totalling £175,881 and one extra contractual payment to a supplier of £165,072 (2023-24: nil).

## 18 Events after the reporting period

There are no events after 31 March 2025 that require an adjustment to the financial statements and no non-adjusting events for which additional disclosure in the financial statements is required.

# 04

---

## Financial impacts

# Statement of National Audit Office financial impacts

The Statement of Financial Impacts represents our estimate of the financial benefits recognised in 2024 following the implementation of our recommendations to government or responses to our findings (**Figure 28**).

Financial impacts arise when there is a quantifiable beneficial change; they must:

- be cashable, reducing expenditure or increasing revenue;
- be non-cashable, leading to improvements in efficiency through improved quality or service delivery; or
- represent benefits to third parties.

We report impacts on a calendar year basis, applying the following principles.

- **Causation:** There is a causal link between work conducted by us and the benefit.
- **Realisation:** Impacts have been realised within, or before, the calendar year in which they are reported. Because of the need to gather and evaluate evidence of benefits, there is usually a time lag between our work and the impact being recorded. In some cases, the time lag means that we recognise and report impacts that are several years old. If an impact has occurred over a number of years before we identify it, then we report the total value of that impact to the year in which it was identified.
- **Valuation:** Reliable evidence or data support claims. There must be a robust methodology to value the impact. Where measurable, we deduct any material and direct implementation costs incurred by the audited body or indirectly by other parties.
- **Attribution:** The proportion of impact claimed reflects the degree of our contribution to the benefit realised.

- **Validation:** The audited body confirms (at a sufficiently senior level) that the data and calculations of benefits are reasonable. Evidence of causation and attribution is reviewed and approved by a panel including a non-executive member of the National Audit Office (NAO) Board.

## Figure 28

### 2024 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value <sup>1</sup> (£)	Nature of impact	Year of claim	Audited body
<b>Government's management of contingent liabilities</b>  HM Treasury introduced new guidance for government departments and created the Financial Instruments & Transactions Advisory Group within UK Government Investments to better understand and manage government's portfolio of contingent liabilities. This helped government avoid exposure on projects with unviable risk.	£1,372,251,000	One-off	–	UK Government Investments
<b>Test and Trace contract savings</b>  Savings from flexibility in contracts through re-competing and renegotiation.	£1,235,000,000	One-off	–	UK Health Security Agency
<b>Reform of Entrepreneurs' tax relief (now called Business Asset Disposal Relief)</b>  Closer monitoring of the cost and impact of the relief informed a decision to reduce the lifetime allowance of this relief, reducing the cost to the exchequer.	£1,118,500,000	Recurring	1 of 2	HM Treasury <sup>2</sup>
<b>Improved efficiency in delivering road schemes</b>  Improvements in cost estimation and project management of road schemes.	£393,000,000	One-off	–	Department for Transport

Description	Impact value <sup>1</sup> (£)	Nature of impact	Year of claim	Audited body
<b>Recovery of tax debt through increased capacity and use of the private sector</b>  HM Revenue & Customs (HMRC) increased debt management capacity, by funding additional staff and making greater use of debt collection agencies, to provide greater support to taxpayers seeking to pay off accrued tax debts which increased as a result of the COVID-19 pandemic.	£199,800,000	Recurring	3 of 5	HM Revenue & Customs
<b>Tackling overpayments in benefits expenditure</b>  Impact arising from our catalogue of work supporting the Department for Work & Pensions to tackle overpayments in benefit expenditure over successive years.	£154,000,000	Recurring	2 of 6	Department for Work & Pensions
<b>Improved grant controls in the Department for Education</b>  The department improved controls around its grant award system to ensure money was spent in line with Parliament's intentions.	£142,750,000	One-off	–	Department for Education
<b>The Emergency Services Network programme</b>  Our audits highlighted the need to actively manage the risks presented by the potential conflict of interest of a contractor in the Emergency Services Network programme that also provided the legacy system, Airwave. The Home Office subsequently wrote to the Competition and Markets Authority, which initiated a market review that ultimately led to a charge control being imposed on the Airwave contract.	£137,000,000	Recurring	1 of 6	Home Office
<b>Changes to Research &amp; Development tax relief for small and medium-sized enterprises</b>  The identification of significant levels of error and fraud and evaluation evidence led government to reduce the rate of these tax reliefs, resulting in a net saving for the Exchequer.	£107,500,000	Recurring	1 of 5	HM Treasury <sup>2</sup>

Description	Impact value <sup>1</sup> (£)	Nature of impact	Year of claim	Audited body
<b>Reduction in overpayments in the Renewable Heat Incentive scheme</b>  Ofgem improved its methodology for estimating erroneous payments in the Renewable Heat Incentive scheme, which helped government to reduce the value of payments made in error.	£103,000,000	One-off	–	Department for Energy Security & Net Zero and Ofgem
<b>Electricity networks</b>  Reduced cost of capital for electricity network companies resulting in lower consumer costs.	£85,910,000	Recurring	4 of 8	Ofgem
<b>Universal Credit advances fraud</b>  Reduction in fraud as a result of the Department for Work and Pensions introducing a number of measures, including enhancing its identity verification checks, and a machine learning model to identify fraud.	£69,000,000	Recurring	4 of 5	Department for Work & Pensions
<b>Increased compliance activity on Research &amp; Development relief for small and medium-sized enterprises</b>  Additional yield from redirecting compliance activity to R&D tax reliefs to better understand the risk of fraud and error occurring, redeploying staff to manage the risk, and letters sent to challenge claims identified as higher risk.	£59,400,000	Recurring	2 of 5	HM Revenue & Customs
<b>Local authority borrowing and investment</b>  New restrictions on local authority borrowing from Public Works Loan Board: local authorities were no longer able to borrow to buy investment assets primarily for yield (to generate income), leading to reduced borrowing.	£33,130,000	Recurring	3 of 5	HM Treasury

Description	Impact value <sup>1</sup> (£)	Nature of impact	Year of claim	Audited body
<b>Increased uptake of social broadband tariffs</b>  Scrutiny by the Public Accounts Committee helped ensure that the Department for Science Innovation & Technology focused on promoting greater take-up of social broadband tariffs by households on low incomes, reducing the cost for those consumers.	£23,455,000	Recurring	2 of 5	Department for Science Innovation & Technology
<b>Rectification of State Pension underpayments</b>  Identification and rectification of historical underpayments in State Pension relating to Home Responsibilities Protection.	£19,310,000	Recurring	1 of 5	Department for Work & Pensions
<b>Removal of application fee for Child Maintenance Service applications</b>  Abolishing the Child Maintenance Service application fee to ensure that customers are not excluded due to financial constraints.	£10,030,000	Recurring	1 of 2	Department for Work & Pensions
<b>Increased financial returns at the BBC</b>  The BBC worked with government to agree an increase in its commercial borrowing limits, which has enabled it to deliver increased financial returns.	£7,750,000	Recurring	1 of 4	BBC
<b>Sub-total</b>	<b>£5,271 million</b>			
Impacts below £5 million	£2.2 million			
<b>Total financial impacts</b>	<b>£5,273 million</b>			

#### Notes

- 1 The numbers in the column may not add up due to rounding.
- 2 These impacts were not agreed by HM Treasury. The National Audit Office (NAO) and Committee of Public Accounts undertook work over several years and recommended that HM Treasury and HM Revenue & Customs evaluate the effectiveness of tax reliefs. This work informed a change in policy on tax reliefs which led to positive financial impacts. The NAO's view is that these impacts resulted, in part, from our work and should therefore be included in our Table of Impacts. However, HM Treasury and HM Revenue & Customs did not agree with us including these impacts because they resulted from a policy change legislated by an Act of Parliament.

A financial impact can happen in just one year or be recurring over several. Figure 28 shows the year to which the impact claim relates when it is recurring. Not all impacts can be quantified precisely, including those related to qualitative efficiency gains and wider economic benefits. In these instances, we base the financial impact on careful judgement to provide a reasonable estimate.

Our findings and recommendations are not always separable from other influences. In these cases, we decide what proportion of an overall financial impact the NAO should claim, based on an assessment of the likely level of influence of our work. Our standard attribution rates are:

- 100%: The NAO's work led to the audited body taking action when it would not otherwise have acted;
- 50%: The NAO's work encouraged the audited body to act, although it may already have been aware of the issue and intended to take action; or
- 25%: The NAO reinforced work that the department was already undertaking and provided additional momentum.

The statement of impacts has been prepared in accordance with internal guidance. Estimates are subject to internal quality assurance review by senior management. The Executive Team endorses all impacts.

## Changes in methodology

In response to external audit recommendations, the NAO has reviewed and updated its methodology for attributing and validating financial impacts. Previously, audited bodies were required to 'agree' assessments of causation and attribution, which led to concerns about the process of arbitration, delays, and under-reporting of impacts. Under the updated methodology, audited bodies are asked to confirm the reasonableness of data and calculations used, and a panel, including a non-executive member of the NAO Board, assesses evidence of impacts against the NAO methodology. The NAO's external auditors continue to provide an independent review of the NAO's annual statement of financial impacts.



---

# Independent statement to the Public Accounts Commission

The Accounting Officer, on behalf of the Public Accounts Commission, has asked us to carry out an independent review of the Statement of Financial Impacts for 2024.

## **Respective responsibility of the Accounting Officer and the Auditors**

The Accounting Officer is responsible for the measurement, assessment and reporting of the financial impacts achieved by the National Audit Office and ensuring that the principles for claiming impacts are applied in arriving at the total impact. We examine whether the information reported is reliable and fairly presented based on these principles and methodologies.

## **Scope of the review**

Our work comprises a review of the impacts claimed and supporting evidence relevant to those claims and the disclosures included in the Statement. It also includes an assessment that the impacts are reasonably stated based on the underlying methodologies and assumptions under which the calculation is made and whether the agreed principles have been appropriately applied by the National Audit Office in the Statement's preparation.

## Opinion

In our opinion:

- The underlying principles as outlined in the Statement of Financial Impacts have been applied appropriately in the preparation of the Statement.
- The impacts noted are reasonably stated based on the underlying methodologies and assumptions under which the claims are made.
- The statement of impacts has been prepared in accordance with NAO guidance and subject to internal quality assurance review processes.

### **Crowe U.K. LLP**

Statutory Auditor  
Crowe U.K. LLP  
55 Ludgate Hill  
London  
EC4M 7JW  
UK

**Date:** 24 June 2025

# 05

---

**Annex**



# Sustainability data

**Figures 29 to 31** show our data on greenhouse gas emissions, waste, and water consumption from 2021-22 to 2024-25, compared with a 2017-18 baseline.

## Figure 29

### National Audit Office (NAO) greenhouse gas emissions, 2021-22 to 2024-25, compared with 2017-18 baseline

Total emissions (tCO<sub>2</sub>e) for Scopes 1 and 2 have reduced by half between 2017-18 and 2024-25

	2017-18 baseline	2021-22	2022-23	2023-24	2024-25
<b>Non-financial indicators (tCO<sub>2</sub>e)</b>					
Total gross emissions for Scopes 1 and 2	1,488	712	749	738	750
Total net emissions for Scope 1	407	299	323	308	310
Total net emissions for Scope 2	1,082	413	426	430	440
Gross emissions Scope 3 – business travel	804	49	218	355	481
Gross emissions Scope 3 – waste	2.1	1.0	1.5	1.7	2.1
<b>Related energy consumption (kWh)</b>					
Electricity: non-renewable	293,901	0	0	0	0
Electricity: renewable	2,782,799	1,945,425	2,200,288	2,073,338	2,092,782
Gas	2,207,653	1,634,373	1,770,508	1,618,667	1,612,302
<b>Related business travel data emissions (tCO<sub>2</sub>e)</b>					
Domestic air travel	63	5	10	22	19
International air travel – short haul	52	6	24	46	36
International air travel – medium/long haul	217	4	95	193	295

## Figure 29 continued

### National Audit Office (NAO) greenhouse gas emissions, 2021-22 to 2024-25, compared with 2017-18 baseline

	2017-18 baseline	2021-22	2022-23	2023-24	2024-25
Rail, underground or tram	133	11	38	23	60
Road travel	24	11	24	21	17
Accommodation	315	12	27	50	55
<b>Financial indicators (£000)</b>					
Expenditure on energy	565	500	678	758	908
Expenditure on electricity	518	456	599	682	837
Expenditure on gas and heating carbon	47	43	80	76	71
Expenditure on official business travel	693	216	404	572	531

#### Notes

Data collection methodologies:

- 1 Data are not weather-adjusted, and numbers may not sum due to rounding.
- 2 London office Scopes 1 and 2 data: electricity use is metered to individual tenants; gas consumption is metered to the point of entry to the building so NAO consumption is estimated net of NAO tenant consumption.
- 3 Newcastle office Scopes 1 and 2 data: electricity use and carbon from heating are metered to our floor.

Source: National Audit Office analysis of environmental data

## Figure 30

### National Audit Office (NAO) waste, 2021-22 to 2024-25, compared with a 2017-18 baseline

Our total waste in 2024-25, including one-off waste relating to our London office refurbishment, was around 8% lower than in 2017-18.

		2017-18 baseline	2021-22	2022-23	2023-24	2024-25
<b>Non-financial indicators (tonnes)</b>						
<b>Total waste</b>		<b>117.0</b>	<b>54.9</b>	<b>81.4</b>	<b>88.0</b>	<b>107.8</b>
Hazardous waste total		0.5	0.5	0.0	0.7	0.2
Non-hazardous waste	Landfill	0.0	0.0	0.0	0.0	3.7
	Reused/ recycled	52.8	34.2	48.4	55.0	77.9
	Composted	38.7	13.9	17.6	12.0	4.4
	Incinerated/ energy reused	25.0	6.3	15.4	20.3	21.5
Breakdown of waste	Paper	35.6	19.8	28.0	19.4	27.1
	Glass	1.0	0.9	1.3	1.3	1.4
	Food	38.7	13.9	17.6	12.0	4.4
	Mixed recyclables	16.2	11.9	18.8	26.2	46.3
	Non-recyclable	25.0	6.3	15.4	20.3	25.2
	ICT recyclable	0.0	1.6	0.3	8.1	3.1
	Hazardous	0.5	0.5	0.0	0.7	0.2
<b>Financial Indicators (£000)</b>						
<b>Total disposal cost</b>		<b>31.8</b>	<b>35.8</b>	<b>31.0</b>	<b>60.8</b>	<b>47.2</b>
Hazardous waste – total disposal cost		1.4	0.0	0.5	2.7	0.4

## Figure 30 continued

### National Audit Office (NAO) waste, 2021-22 to 2024-25, compared with a 2017-18 baseline

		2017-18 baseline	2021-22	2022-23	2023-24	2024-25
Non-hazardous waste – total disposal cost	Landfill	0.0	0.0	0.0	0.0	1.5
	Reused/ recycled	13.9	21.7	16.1	42.2	33.9
	Composted	3.8	1.8	7.5	7.7	1.8
	Incinerated/ energy reused	12.7	12.4	6.8	8.2	9.5
Breakdown of waste	Paper	4.3	4.2	6.4	10.0	11.1
	Glass	0.6	0.5	0.6	1.6	0.6
	Food	3.8	1.8	7.5	7.7	1.8
	Mixed recyclables	8.9	16.9	9.2	30.6	22.2
	Non-recyclable	12.7	12.4	6.8	8.2	11.1
	Hazardous	1.4	0.0	0.5	2.7	0.4

#### Notes

Data collection methodologies:

- 1 Numbers may not sum due to rounding.
- 2 London office: data include waste generated by NAO tenants. Waste disposal is outsourced to Mitie Waste and Environmental. Monthly reports detailing the weight of generated waste and a breakdown of waste by type are provided.
- 3 Newcastle office: the landlord provides waste disposal services as part of the lease's service contract. Monthly reports detailing the weight of generated waste and a breakdown by type are provided by the Landlord.
- 4 Some 31 tonnes of waste in 2024-25 relates to a one-off construction project in London. Excluding this amount would result in a 34% reduction on 2017-18 waste levels.
- 5 Disposal costs for 2023-24 are restated following information received from our supplier after the publication of last year's annual report and accounts.

**Source:** National Audit Office analysis of environmental data

## Figure 31

### National Audit Office (NAO) water, 2021-22 to 2024-25, compared with a 2017-18 baseline

Water consumption in 2024-25 was higher than in 2017-18 because a water valve failed temporarily

Finite resource consumption – water	2017-18 baseline	2021-22	2022-23	2023-24	2024-25
<b>Non-financial indicators (m³)</b>					
Supplied	5,225	1,956	2,770	3,340	5,699
Abstracted	–	–	–	–	–
<b>Financial indicators (£000)</b>					
Water supply costs	16.9	14.4	11.1	5.2	21.7

**Note:**

- 1 London office: water is metered to the point of entry to the building so NAO consumption is estimated based on floor space occupied, net of NAO tenant consumption.
- 2 Newcastle office: water is metered to the point of entry to the building so NAO consumption is calculated as a percentage of occupied space.
- 3 Water supply costs do not include Newcastle office water expenditure as it is included in the service charge. Water supply costs for the London office are for the whole building and include tenants' consumption.
- 4 Water consumption increased in 2024-25 because of a failed water valve in our London office rainwater harvesting system. This valve has since been repaired.

Source: National Audit Office analysis of environmental data





National Audit Office

Design and Production by NAO Communications Team  
DP Ref: 014972-001 | © National Audit Office 2025

30 June 2025  
ISBN: 978-1-78604-625-3