

Transparency Report 2024-25



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. This represents around £53 for every pound of our net expenditure.



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Key National Audit Office Quality Measures

100%



of externally reviewed financial audits met our quality standards

95%



of externally reviewed value-for-money reports met our quality standards

71%

of internally reviewed financial audits met our quality standards

87%



of Members of Parliament say we are effective at supporting Parliament to hold government to account and scrutinise public services

83%



of internally reviewed value-for-money reports met our quality standards

7.0



people engagement score out of 10 (an increase of 0.2 from the prior year)

95%

of senior officials from the bodies we audit say that the National Audit Office (NAO) is independent, and 86% say we are authoritative

86%

of finance directors and accounting officers from the bodies we audit say that the NAO makes fair and balanced judgements, and 84% rated the quality of their most recent financial audit as good



We certified
414
accounts
in 2024-25



93%

of our recommendations to government were accepted or part accepted

60



value-for-money,
investigation, and
lessons learned
reports published

88%



of trainees passed their
final stage exams
first time

8 out of 10

staff feel that their team
support and challenge
each other to achieve
high-quality audits

Leadership messages

Comptroller and Auditor General (C&AG)



Gareth Davies

High-quality audit work is the bedrock of the National Audit Office (NAO). The quality of our work enables the NAO to provide Parliament and the public with assurance over public spending and helps to drive improvement in financial management and value for money. This year's Transparency Report sets out the interventions we have put in place to embed and sustain the improvements we are making to the quality of our financial audit and value-for-money work.

We are seeing the benefits of our financial audit improvement programme. 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.

This encouraging progress is the result of the hard work of our teams and of several years' investment under our 2020-2025 Strategy. We have invested in our methodology, new audit software platform, learning and development, specialist expertise, and system of quality management. Our Quality First Plan has become more embedded and has also helped to ensure that our financial audits are reliable and meet professional standards. Our plan also builds on what we have achieved so far to ensure our quality standards are applied consistently and to strengthen further our system of quality management.

We delivered an impactful programme of 60 value-for-money reports, and wider assurance products. We have shared insights through our lessons learned reports and good practice guides. We have continued to achieve a high standard in our value-for-money and wider assurance work. We are taking forward actions to improve further our internal control and risk management, including sharing best practice and investing further in learning and development.

We have strong governance in place within the NAO. I am grateful for the support and challenge of our Audit Quality Board as we embed our culture of audit quality.

We have developed and launched our new 2025–2030 Strategy which prioritises the quality of our work and our influence in the improvement of the delivery of public services. This is underpinned by a focus on our core capabilities: our people and culture, and digital and data.

Executive Director responsible for our financial audit service line



Kate Mathers

Delivering consistently high-quality audits is not just a professional obligation for NAO auditors – it is a public responsibility. This year's Transparency Report sets out how we are meeting that responsibility and marks a turning point in our journey to embed quality at the heart of our financial audit work. It reflects not only the progress we have made, but also the collective effort behind it – from our investment in systems and methodology to the commitment and professionalism of our people.

The latest inspection results from the Financial Reporting Council show the scale of our progress: all of our 2023-24 audits inspected met the required standard – a significant improvement from the previous year (43%). This outcome reflects the impact of our sustained investment in audit quality over recent years, including our new Apex system, our updated audit methodology and the collective effort behind our Quality First Plan.

We are also seeing encouraging signs of improvement through our internal quality measures, including stronger people engagement and a growing quality culture. Feedback from audited bodies continues to reflect high levels of confidence in our work.

But we know there is more to do, and we are not complacent. Our internal reviews show that quality is not yet consistent across all audits, and our system of quality management still needs to be strengthened. We are focused on embedding improvements, so they are sustained and felt across the whole service line.

Audit quality is central to our 2025-2030 Strategy. Our refreshed Quality First Plan 2025 sets out a clear and practical programme of action, underpinned by a strong quality culture, modern tools and a focus on people and capability, to help us deliver on our strategic ambition.

I am proud of the progress we are making and grateful for the commitment of our teams. We welcome the feedback from the Financial Reporting Council and others, and we will continue to use it to improve. Our goal remains clear: high-quality audits – every time, delivered with pride and trusted by our stakeholders.

Executive Director responsible for our value-for-money service line



Max Tse

During 2024-25 we continued to deliver high-quality reports for Parliament and select committees holding government to account. We published 60 value-for-money and wider assurance reports, despite Parliament sitting for fewer days owing to the general election, and we produced 22 departmental overviews to support new select committees.

Our work continues to be seen as authoritative. Although many Members of Parliament are new to Parliament, the recognition and reputation of our work remains high. Senior officials tell us that our recommendations help their organisations to improve.

The annual independent external and internal reviews of our work continue to give us the confidence that we are delivering high-quality work, which supports our strategic objectives and is trusted and valued by Parliament.

Both our external and internal reviews continue to find that we are meeting standards in almost all of our investigations, lessons learned and value-for-money reports. Our reviews have identified some areas we need to improve and in a small number of cases our reports do not meet the high standards we set. However, these did not raise significant concerns about the robustness of report findings and conclusions, or the design of our system of quality management. They do highlight that there are opportunities to share good practice more consistently across our work, and that we can be clearer in some cases about our evaluative criteria and findings.

In the year ahead, we will continue to embed the improvements we have made over recent years, to ensure we continue to provide robust analysis and insights to support more productive and resilient public services.

Chair of the Audit Quality Board



Gaenor Bagley

The Audit Quality Board plays a vital role in supporting and constructively challenging the C&AG and the NAO in addressing audit quality challenges. We are encouraged by the improvements in audit quality this year, as reflected in key quality indicators, and we remain committed to ensuring that high standards are consistently applied across all audit work.

In 2024-25, we delivered a comprehensive programme of oversight and challenge, contributing to improvements in the NAO's quality risk analysis and the effectiveness of its system of quality management. As detailed in **Figure 3**, our work included five formal meetings and the expansion of independent membership to three, enhancing the breadth and depth of our scrutiny. We deepened our understanding of quality risks through targeted activities such as attending relevant training, shadowing financial audits and conducting deep dives into the outcomes of internal and external reviews. We also reviewed the NAO Strategy 2025-2030 to ensure audit quality remains central to its future direction.

On financial audit, we provided rigorous oversight of the NAO's implementation of its Quality First Plan 2024 and endorsed the 2025 Plan. Our deep dives examined the effectiveness of in-flight quality interventions, the development of emerging audit quality indicators, insights from the inaugural quality survey, and controls over continuing professional development. We challenged the design and operation of the NAO's system of quality management and contributed to the C&AG's annual evaluation through our assessment of the assurance framework.

On value-for-money, and building on our consideration of the revised value-for-money standards and internal quality assurance procedures during 2023-24, we reviewed the outcomes from this year's internal and external cold review programmes.

Looking ahead, we will continue to provide robust, independent challenge and support to ensure that audit quality remains at the heart of the NAO's work. Our focus will remain on driving continuous improvement, strengthening assurance and upholding the trust placed in public audit.

Part One

Our Transparency Report

- 1.1** Being transparent in what we do is key to maintaining the trust of those bodies we audit and of those to whom we report. We publish an annual Transparency Report, following statutory requirements and disclosures, setting out the actions we have taken each year to deliver consistently high-quality audit work that meets our quality standards.¹
- 1.2** Our Transparency Report for 2024-25 sets out:
- our governance and accountability arrangements, which promote and support the quality of our audit work (Part Two);
 - our system of quality management, with specific assessments for our financial audit and value-for-money work (Part Three);
 - findings from our financial audit and value-for-money quality reviews and the steps we are taking to further improve the quality of our audit work (Parts Four and Five); and
 - how we attract, develop, retain and support our people to deliver audit work that meets our quality standards (Part Six).
- 1.3** We publish this report alongside our Annual Report and Accounts, diversity pay gap report, Estimate to Parliament, and our Diversity and Inclusion Annual Report.^{2, 3, 4, 5}

¹ The National Audit Office complies with disclosures required by Article 13 of Regulation (EU) 537/2014 to produce an annual transparency report. This now forms part of the law of England and Wales, by virtue of section 3 of the European Union (Withdrawal) Act 2018, and as amended by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019/177. Appendix Five shows how we have adhered to the principles within the code.

² National Audit Office, [Annual Report and Accounts 2024-25](#).

³ National Audit Office, [Diversity pay gap report 2024](#).

⁴ National Audit Office, [Main Estimate 2025-26](#).

⁵ National Audit Office, [Diversity and Inclusion Annual Report 2024-25](#).

Part Two

Governance and accountability

2.1 This part explains the National Audit Office's (NAO's) governance and accountability arrangements including:

- the responsibilities of the Comptroller and Auditor General (C&AG) and the NAO Board; and
- how governance activities have been discharged during the year.

2.2 The 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, oversees our work (**Figure 1**).



Figure 1

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

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



Note

- 1 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

The C&AG and the NAO

2.3 The C&AG, Gareth Davies, leads the NAO. He is an officer of the House of Commons and is appointed for a single non-renewable term of 10 years. He and the staff of the NAO are independent of government, are not civil servants, and do not report to a minister.

2.4 The C&AG's independence is protected in statute. Our appointment as the external auditor of most of the entities we audit is also set out in statute (including for our value-for-money (VFM) work). This means that the audited entity cannot replace us as its auditor in response to negative audit opinions or conclusions. We are funded directly by Parliament for most of our audit work, rather than being dependent on fees from the entities we audit.⁶

2.5 The C&AG has a statutory remit to certify the financial statements of all government departments and many public sector bodies and to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively and with economy. He uses his powers to:

- decide which value-for-money examinations to carry out;
- decide how to report results to Parliament; and
- get information and explanations from those we audit, by using his rights of access to documents and staff.

2.6 The C&AG has ultimate responsibility and accountability for the NAO's system of quality management which underpins the quality of all the work of the NAO.

2.7 The C&AG also has statutory responsibilities as Comptroller General to approve the release of funds requested by HM Treasury to public bodies, once he has satisfied himself that requests for payment are in line with relevant authorities given by Parliament. He is supported in these duties by our Exchequer Section.

⁶ See Figure 34, Appendix Four.

The legal framework underpinning our governance arrangements

2.8 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. Four principles underpin our governance:

- respect and maintenance of the C&AG's independence;
- focus on the NAO strategy and its delivery;
- support to, and challenge of, the Executive Team; and
- drawing on non-executive expertise.

Holding us to account

2.9 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 Strategy 2025–2030 and Estimate for 2025–26.

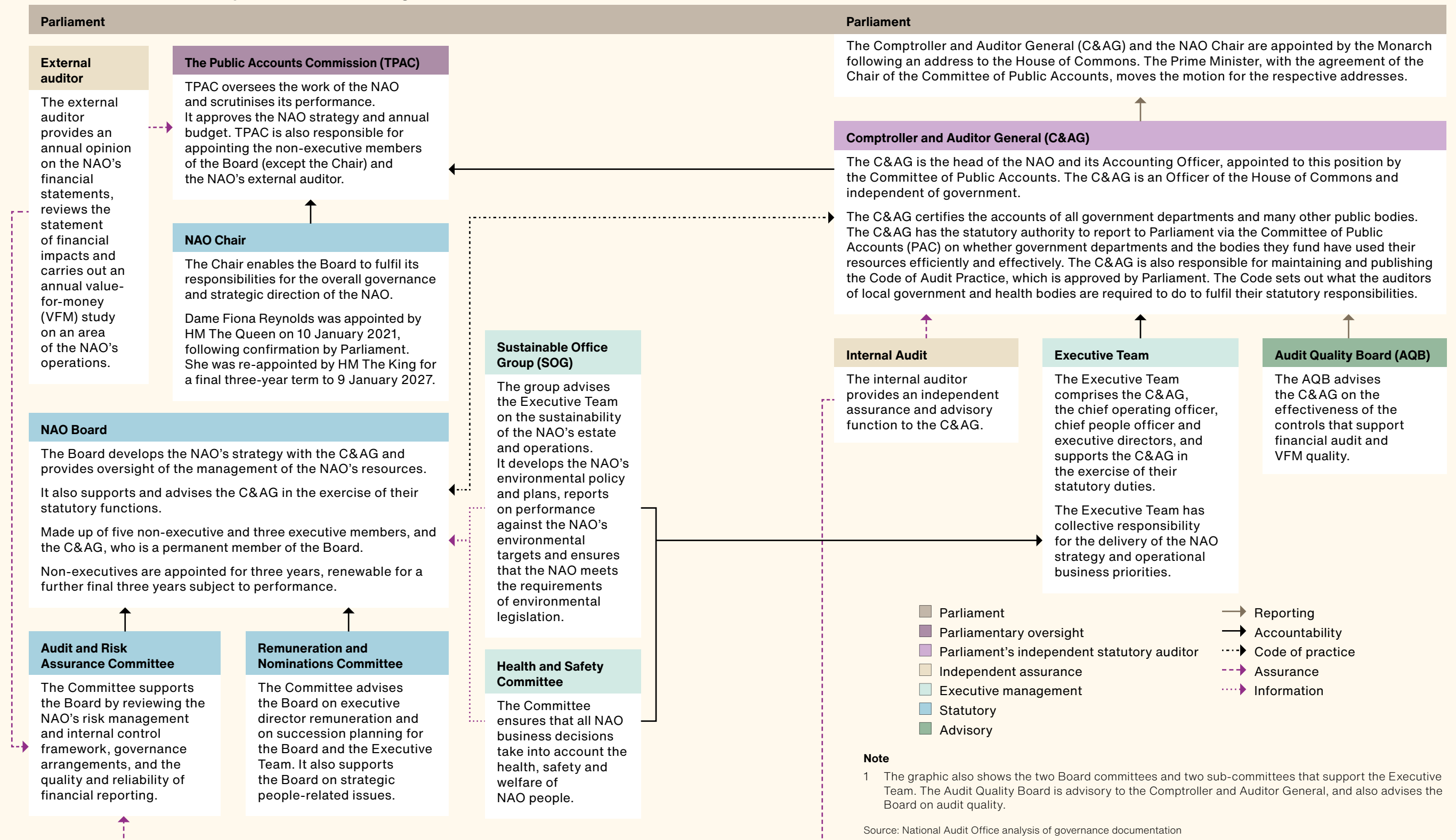
The NAO's governance framework

2.10 **Figure 2** on **pages 18** and **19** shows the division of responsibility between the different parties involved in our governance framework.

Figure 2

The National Audit Office (NAO) governance framework

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



The NAO Board and its committees

- 2.11** 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. Its 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.
- 2.12** The Board is supported by the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee, to which it has delegated specific responsibilities. 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. The Remuneration and Nominations Committee advises the Board on executive director remuneration and on succession planning for the Board and the Executive Team. It also supports the Board on strategic people-related issues. Details of the frequency of the meetings of the Board and its committees, and their areas of focus during 2024-25, are included within our Annual Report and Accounts.⁷
- 2.13** The Audit Quality Board (AQB) is an advisory forum to the C&AG which reviews and challenges the effectiveness of the system of quality management underpinning our financial and VFM audit work (**Figure 3**). The AQB's membership is designed so that it provides detailed oversight of our audit quality risks for ARAC and the NAO Board.

⁷ National Audit Office, [Annual Report and Accounts 2024-25](#), pages 90-100.

Figure 3

The Audit Quality Board's (AQB's) focus in 2024-25

Value-for-money (VFM) quality	Building on our consideration of the revised VFM standards and internal quality assurance procedures during 2023-24, we reviewed the outcomes from this year's internal and external cold review programmes of a sample of the National Audit Office's (NAO's) VFM reports.
Our financial audit system of quality management	<p>During 2024-25, the Audit Quality Board (AQB) continued to support the Comptroller and Auditor General (C&AG) in evaluating and strengthening the NAO's financial audit system of quality management. The AQB:</p> <ul style="list-style-type: none"> Reviewed and challenged the framework underpinning the NAO's system of quality management, with a particular focus on the design and operation of key controls. Approved a programme of testing to assess the operational effectiveness of a sample of detailed controls within the system of quality management. Undertook deeper scrutiny of specific areas, including the effectiveness of 'in-flight' quality interventions, emerging audit quality indicators, insights from our first quality survey, and controls relating to the recording of continuing professional development. Reviewed and assessed the structure of, and evidence within, the assurance report that informs the C&AG's annual evaluation of the system's effectiveness. The AQB Chair formally recommended her conclusions to the C&AG to support this evaluation. Considered findings from both the 2023 and 2024 annual evaluations and the actions in place to address them, ensuring continuity and learning across reporting cycles.
Financial audit quality	<p>Monitored the outcomes of internal and external inspection programmes, including key reports from the Financial Reporting Council, and reviewed the themes arising from these reviews, along with management's responses.</p> <p>Considered possible root causes behind the NAO's audit quality outcomes, drawing on insights from inspection findings and internal analysis, as well as assessing management's responses.</p>
Financial audit Quality First Plan	<p>Reviewed and challenged the NAO's new Quality First Plan for 2024 and endorsed it prior to publication. Throughout the year, the AQB monitored progress against the plan's actions and challenged delivery where appropriate emphasising, for example, the importance of culture in embedding a quality and sceptical mindset across audit teams.</p> <p>Towards the end of the year, the AQB reviewed, challenged and endorsed the updated Quality First Plan for 2025, building on its existing oversight.</p>
Other assurances	<p>Attended training for the NAO's financial auditors, including on audit bias, and began shadowing a 2024-25 financial audit to better understand the risk assessment process.</p> <p>Discussed and ensured the prominence of audit quality within the NAO's strategy for the next five years, reinforcing its centrality to the organisation's mission. Oversaw the structure, content and messaging of the NAO's 2023-24 Transparency Report, published in July 2024.</p> <p>Saw the evolution and delivery of a programme of Board-level audit quality indicators, reviewing the insights from these indicators at each meeting to inform its oversight.</p>

Note

1 The Audit Quality Board met five times during 2024-25.

Source: National Audit Office

The 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. In 2024-25, the Executive Team comprised six executive directors. From October 2024, the Executive Team included a chief operating officer, replacing the previous post of Executive Director for Strategy and Resources. 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. The C&AG has appointed one of the six executive directors to oversee all aspects of the Financial Audit Service Line and another to oversee the VFM Service Line.

2.15 The Executive Team 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.

2.16 The Executive Team received regular financial and performance information and internal and external feedback to help assess progress in implementing our strategy and developing the organisation. It 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.

Risk management

2.17 Our risk management framework and processes align with principles set out in HM Treasury's Orange Book. Our approach helps us to identify, evaluate, respond to, report on and monitor the NAO's risks.⁸ We capture our organisation-wide risks in a live corporate risk register document. The Executive Team receives monthly risk reporting to inform its consideration and assessment of risks; the ARAC receives the risk

⁸ We describe our overall approach to risk management and our organisation-wide risks in more detail in the NAO's [Annual Report and Accounts 2024-25](#).

register and discusses emerging and key risks at each meeting; and the NAO Board receives a summary of the risks at each meeting, as well as the Internal Audit Annual Report from the NAO's Director of Internal Audit and Assurance (DIAA).

2.18 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 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.

2.19 The DIAA's annual report for 2024-25 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.

2.20 Financial audit and VFM quality risks are two of our organisation-wide risks. The way we manage these and assess the quality of our work reflects their different approaches. In Part Three, we explain how we manage these risks through our system of quality management and the way our assessment of these risks feeds into consideration of our organisation-wide risks.

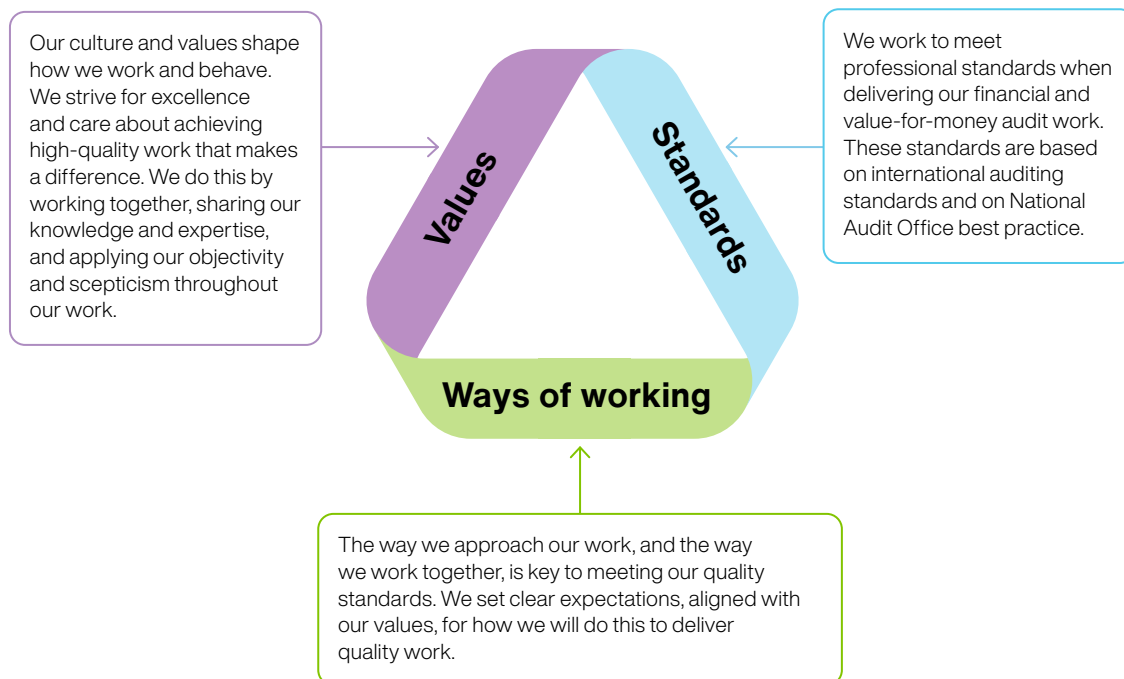
Part Three

Our system of quality management

- 3.1** The quality of our work is fundamental to our credibility with Parliament and the bodies we audit. This part describes our system of quality management, and how it works in practice. It outlines firstly those aspects of our system that apply to all of us within the National Audit Office (NAO) and then discusses specific responses for our financial audit and value-for-money (VFM) work. These responses include how we have acted to strengthen further our system of quality management during 2024-25.
- 3.2** Our financial audit policies, procedures and controls (paragraphs 3.21 to 3.39) are subject to the International Standard on Quality Management (UK) 1 (ISQM 1), tailored to our role and circumstances. We have also chosen to apply the general principles outlined in ISQM 1 to our VFM work to ensure we have aligned our quality management approach where appropriate (paragraphs 3.40 to 3.46).

Our quality culture

- 3.3** Our system of quality management supports an open culture where we tackle quality shortfalls constructively without blame or fear, and seek continuous improvement. Our approach to audit quality is underpinned by our values, which are that we act with courage and integrity, we are inclusive and respectful, we are curious and seek to learn, and we strive for excellence (**Figure 4**).

Figure 4**The quality standards of our work are linked to our values and ways of working**

Source: National Audit Office

3.4 Audit quality is a shared endeavour owned by all our audit professionals (**Figure 5** overleaf). We act on findings from our annual independent internal and external quality reviews which highlight areas of good practice and where we need to improve further. We put plans in place to learn from, and address, the feedback we receive as promptly as possible.

Figure 5

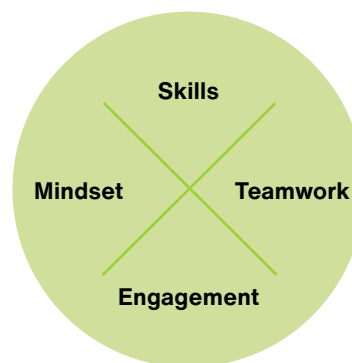
Our ways of working

‘Quality first’ culture: the way we approach our work, and the way we work together matter: we have clear expectations, aligned to our values, for how we will do this to deliver quality work and outcomes

The way we approach our work matters.

We:

- appreciate our purpose;
- act with an audit mindset, applying professional scepticism;
- understand our responsibilities and are accountable;
- challenge ourselves and others;
- robustly conduct and document work; and
- develop and maintain our skills and knowledge.



The way we work together matters.

We:

- play our part in our team;
- support and coach others;
- collaborate and consult;
- create trust;
- build team resilience; and
- engage effectively with audited bodies.

Source: National Audit Office



Our standards

- 3.5** Our auditors working on both financial audit and VFM work must meet the highest standards.
- 3.6** Our financial auditors are required to comply with International Standards on Auditing (ISAs) (UK). Meeting these standards means that our financial audit work also complies with the relevant international standards for Supreme Audit Institutions established by the International Organization of Supreme Audit Institutions.
- 3.7** During 2024-25, we took the following measures.
- We implemented the changes required under the revised auditing standard *ISA (UK) 600 (Revised) – Audits of Group Financial Statements (Including the Work of Component Auditors)* – with effect from our audits of financial statements for the year 2024-25. The revised standard strengthens the responsibilities of group auditors in several key areas: applying professional scepticism; planning and performing group audits; ensuring robust, two-way communication between group and component auditors; and enhancing the quality and completeness of audit documentation.
 - We considered the revised auditing standard *ISA (UK) 505 (Revised) – External Confirmations* – in preparation for its implementation from our audits of financial statements for the year 2025-26. The revised standard prohibits the use of negative confirmations as a source of audit evidence. It now explicitly permits the use of electronic confirmation tools and requires that external confirmations be more precisely tailored to the specific risks of material misstatement they are intended to address.
- 3.8** The standards applied to our VFM work are consistent with international performance audit standards and designed to meet the expectations of the UK Parliament (see Appendix 1 for further detail).

Safeguarding our independence

- 3.9** The independence of the Comptroller and Auditor General (C&AG) is protected in statute (paragraph 2.4), and it is key that our ethical values and professional standards are at the heart of the way we do our work.

- 3.10** We are required to adopt the Financial Reporting Council's (FRC's) ethical standards. These standards outline principles of integrity, objectivity and independence, which apply to all our people. They also address specific situations in audit and other public interest assurance engagements that could affect user trust and confidence.
- 3.11** We applied the FRC's Revised Ethical Standard 2019 throughout most of 2024-25. As required, we then implemented and applied the revised FRC Ethical Standard 2024 for our audits of periods commencing on or after 15 December 2024. The revised standard introduces a limited relaxation of restrictions on secondments to audited entities, permitting outward secondments of up to 12 months, provided the role is not a key management position and does not involve prohibited non-audit services. It also introduces new protocols for reporting breaches to the FRC, which we have embedded into our updated audit methodology.
- 3.12** The C&AG is the designated ethics partner. He has overall responsibility for ethical matters. He is supported by the NAO's Ethics Team, which reviews each reported conflict of interest against the ethical standard, to evaluate perceived or actual threats to independence, and to determine appropriate and effective safeguards. Examples of potential conflicts of interest include staff members leaving to join a body audited by the NAO, staff members with family or close associates working for NAO-audited bodies, and when we consider subletting parts of our headquarters building to bodies we audit.
- 3.13** We have embedded detailed procedures for identifying potential threats to independence and establishing appropriate safeguards into our audit methodology, as shown in the following examples.
- Each member of staff must complete an annual Code of Conduct return, which confirms that they are aware of their ethical and professional obligations.
 - Each member of staff must also sign a declaration of independence on each audit, in advance of involvement in any audit or other public assurance engagement, which highlights where potential or actual conflicts of interest might exist.
- 3.14** Once safeguards are in place, we check compliance and require individuals and teams to report promptly where circumstances change.

- 3.15** We may be asked to work on engagements beyond our formal statutory appointment framework. Such work can include auditing entities under the Companies Act, project audits, grant certification, due diligence work, specified procedures work, international work, and work where the NAO issues any form of other auditor's report or opinion. When we take on a new engagement or submit a tender to perform non-statutory work, we need to understand whether the engagement exposes us to an acceptable level of risk. Our engagement acceptance process enables us to consider whether the risk of the engagement outweighs the benefits to the NAO and the public interest of accepting the engagement, and the corporate priority we may wish to give this work. We apply the same process to re-accept existing audited entities and engagements. New engagements must also be approved by the C&AG.
- 3.16** In 2024-25, we adhered to the required ethical standards except for one breach, which we reported to the FRC. 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 breach of the FRC'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.
- 3.17** We set out these arrangements within the C&AG's audit report on HM Treasury's financial statements for 2024-25, and we 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.

Our quality management and assurance model

- 3.18** Our system of quality management is designed to ensure that our financial and VFM audit work complies with professional standards and identifies and mitigates strategic and technical quality risks.
- 3.19** At the heart of our financial and VFM systems of quality management is a 'three lines of defence' model. This is designed to build quality into all stages of an audit so that the work is of the highest technical quality.

- **First line of defence:** Our teams are responsible for delivering audit work that meets professional standards, and for ensuring that they have the appropriately skilled people on each audit at the right time and have called on expert support where needed. Individuals comply with our policies and procedures and take advantage of the learning and development opportunities available to them.
- **Second line of defence:** Our central teams put in place NAO-wide arrangements to secure the quality of our work including the following:
 - designing, implementing and managing our system of quality management, including identifying risks and ensuring appropriate controls and mitigations are in place;
 - updating regularly our audit manual and methodology;
 - delivering professional guidance and training;
 - providing technical advice and support as requested by audit teams;
 - establishing quality interventions where particular audit assignments involve specific technical or reputational risks, such as consideration of significant issues of judgement by technical panels at the planning stage of audits and as they arise;
 - managing resourcing and recruitment; and
 - managing contracts with our framework partners.

These arrangements include the establishment of our insights teams of technical expertise who provide specific advice to audit teams that meets sector-wide professional standards.

- **Third line of defence:** We have an independent monitoring and assurance function that tests the effectiveness of our risk mitigations and controls applied under the first two lines of defence. This work includes managing our formal independent internal and external quality inspections, and reviewing audits while they are underway, which assess whether our work meets our quality standards. We review findings from these inspections as part of our root cause analysis programme to guide our improvement plans and annual assurance activities.

3.20 Throughout the application of each of these stages, where we identify issues, we act so that any risks to audit quality are addressed promptly and effectively. To assist us, we have an assurance programme in place which monitors and evaluates the effectiveness of our system of quality management, supported by reliable and timely information to assess the risks to audit quality.

Our system of quality management for financial audit

The key elements of our system of quality management

3.21 For our financial audit work, we are required to comply with ISQM 1. ISQM 1 requires audit firms to design, implement, and operate a proactive, risk-based System of Quality Management (SoQM) that is tailored to the nature and circumstances of the firm and its engagements. The SoQM creates an environment that enables and supports engagement teams in performing quality engagements.

3.22 At its core, ISQM 1 requires firms to:

- set quality objectives across six interrelated components, which are:
 - governance and leadership
 - relevant ethical requirements
 - acceptance and continuance of engagements
 - engagement performance
 - resources
 - information and communication;
- identify and assess quality risks that could threaten the achievement of those objectives;
- design and implement responses (e.g. policies, procedures, controls) to address those risks and reduce them to an acceptable level;

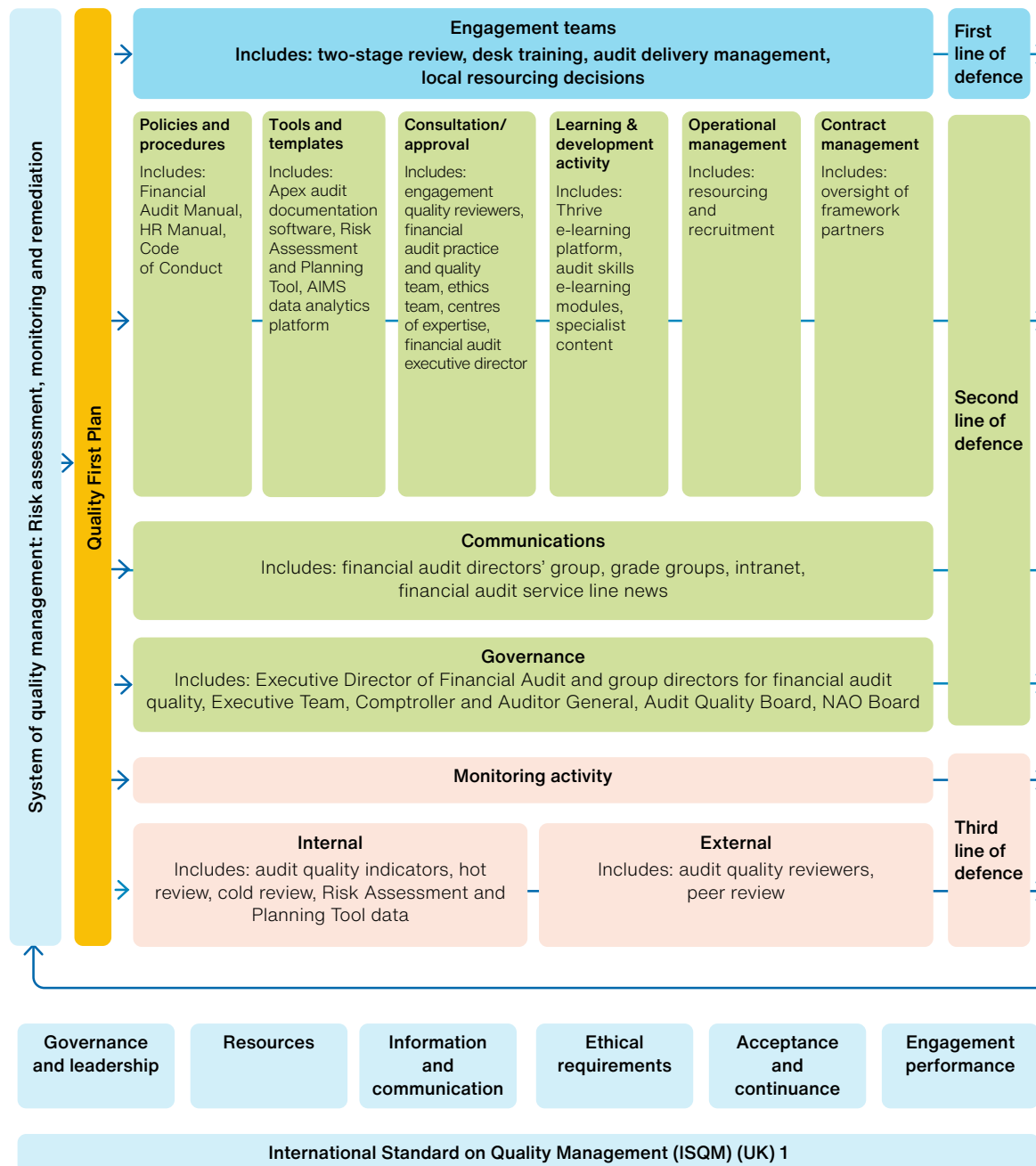
- monitor and evaluate the SoQM, both on an ongoing basis and at least annually, to ensure it is operating effectively and remains fit for purpose; and
- remediate deficiencies in a timely and appropriate manner, with clear accountability and documentation.

3.23 Our SoQM for financial audit allows us to take a structured approach to our assessment of quality risks and our response to them, as well as our monitoring, evaluation and remediation processes. It ensures we have responses in place that support our people to conclude audits which meet expected professional standards in the quality of evidence supporting our audit opinions and reports to Parliament. **Figure 6** illustrates the system and the interplay between its elements.



Figure 6**The National Audit Office's (NAO's) financial audit system of quality management**

Our **culture and values** support all parts of our system of quality management



Source: National Audit Office

3.24 Like other audit firms, we were required to implement ISQM 1 by December 2022. Since then, we have made significant progress in improving our SoQM. However, internal and external reviews indicate that further improvements are necessary. Specifically, we need to enhance the granularity and consistency of our risk assessments, improve the design and testing of key controls and ensure more timely monitoring and remediation of identified weaknesses. The following sections of this report set out how we manage risks to audit quality and the actions we have taken to improve further the robustness of our SoQM.

Managing our quality risks

3.25 At the start of 2024-25, we assessed the quality of our financial audit work as the number one risk on our corporate risk register (see paragraph 2.17), with a rating of significant. This reflected the disappointing outcomes of our internal and external quality reviews at that time, particularly those from the FRC's inspections of our 2022-23 audits and SoQM which showed that we had not yet achieved the level of improvement we were aiming for.

3.26 We reported that improving audit quality was the NAO's top priority. In response, we launched our new Quality First Plan in April 2024 (see paragraph 4.3), building on our investment in audit methodology and software and on our centres of expertise.

3.27 By the end of 2024-25, we saw a marked improvement in the outcomes of our quality reviews, with 100% of our 2023-24 audits inspected by the FRC meeting the required standard. Our ISQM 1 assessment, which informs our corporate risk rating for audit quality, also showed a positive trajectory. As a result, we revised our corporate risk rating for financial audit quality from significant to moderate. While this reflects the progress made, we recognise that there is more to do to embed and sustain this improvement consistently across all our audits – and that we have more to do to improve our SoQM (paragraphs 3.31 to 3.34). Audit quality therefore remains a key focus and strategic priority for the NAO in the years ahead.

3.28 Our ISQM 1 assessment of risk plays a central role in informing our understanding and management of this corporate risk. It provides a structured evaluation of the effectiveness of our SoQM and highlights areas for improvement. We assess the quality risks associated with each of our quality objectives (paragraph 3.30 and Figure 7) in a dedicated risk register which outlines the nature and potential impact of each risk, and the mitigating actions we have implemented to manage quality risks to an acceptable level.

3.29 Our Financial Audit Management Team meets monthly to review progress in addressing these risks and advance our improvement actions.⁹ These discussions, and resultant actions, are informed by emerging issues from the financial audit service line, insights from internal and external quality reviews, our audit quality indicators and developments in professional standards and wider practice.

3.30 The most significant risks from these registers for each component, and our current status compared with last year, are set out in **Figure 7** overleaf. This shows the impact of the actions from our Quality First Plan that we implemented during 2024-25.

⁹ The NAO's Financial Audit Management Team is led by our Executive Director of Financial Audit, and also includes the Deputy Head of Financial Audit and the directors for Audit Quality, Financial Audit Operations, Audit Risk and Compliance, and Audit Transformation.

Figure 7

The National Audit Office's (NAO's) financial audit quality risks



















International Standard on Quality Management (UK) 1 risk component	Risk rating June 2024	Risk rating June 2025	Direction of travel during 2024-25	Current status
Resources (human, technological and intellectual) Includes human resources (staff with the competence and capabilities we need), technological resources (such as audit software) and intellectual resources (such as methodology guidance).				<p>The improved risk status in 2024-25 reflects the successful delivery of key initiatives under our Audit Transformation Programme and Quality First Plan (paragraphs 4.2 to 4.9), including:</p> <ul style="list-style-type: none"> Implementing our new Apex audit software with guided workflows and improved templates to support consistent execution of our methodology. Strengthening recruitment and retention to increase audit team capacity. Refreshing our learning and development programme to better support complex and judgement-heavy audits. Expanding the use of audit technology, such as DataSnipper and our new journal testing analytic in 2025, to enhance testing efficiency and risk assessment. Accelerating internal quality reviews and root cause analysis to inform learning and Quality First Plan actions. <p>We have made significant progress, however internal and external reviews show that further improvement is needed to strengthen our system of quality management as required under ISQM 1. In particular, we need to improve the granularity and consistency of our risk assessments, enhance the design and testing of related key controls and ensure more timely monitoring and remediation of identified deficiencies (paragraphs 3.31 to 3.34).</p>
Engagement performance The quality of our audit engagements, for example, whether engagement teams exercise appropriate professional judgement and professional scepticism, whether they receive sufficient direction and supervision, and whether differences of opinion are raised and resolved.				<p>The improved risk status reflects our improving audit quality, with 100% of audits reviewed by the Financial Reporting Council (FRC) meeting our standard (paragraphs 4.17 to 4.21). Contributing factors to this improvement include:</p> <ul style="list-style-type: none"> The impact of our 2024-25 Quality First Plan. A sharper focus on professional judgement and scepticism. Enhanced access to expertise through our growing centres of expertise. Our maturing consultation culture. <p>Our amber rating recognises that our internal reviews highlight a more modest improvement, with 71% of inspected audits meeting standards. These reviews reinforce our need to embed greater consistency of improvements across all our audits, particularly in complex audits, and to improve project management to support timely, high-quality delivery. These matters are taken forward in our Quality First Plan for 2025 (paragraph 4.8 and Figure 12).</p>
Governance and leadership How our culture, our leadership's actions and behaviours, our organisational structure and accountability arrangements, and/or our resource management, affect audit quality.				<p>Our continuing positive risk status reflects our strong 'tone from the top' with culture and values which prioritise quality and excellence (paragraph 3.3), reinforced through regular leadership communications to audit teams.</p> <p>In 2024-25, we strengthened our governance with the following actions.</p> <ul style="list-style-type: none"> Making audit quality an explicit priority in our new Strategy 2025-2030. Enhancing the Audit Quality Board's remit through expanded membership and an enhanced focus on audit quality risks (paragraph 2.13 and Figure 3).

Figure 7 Continued

The National Audit Office's (NAO's) financial audit quality risks

International Standard on Quality Management (UK) 1 risk component	Risk rating June 2024	Risk rating June 2025	Direction of travel during 2024-25	Current status
				<ul style="list-style-type: none"> Launching a new quality survey to track our progress in embedding a strong 'quality first' culture (paragraph 4.6 and Figure 11). Providing a more comprehensive assessment of our quality controls to support the Comptroller and Auditor General's (C&AG's) annual evaluation of our quality management system. <p>In response to the FRC's 2025 findings, we are refining our risk assessment for our quality objectives in this area and will update our related policies, procedures and controls as necessary.</p>
Information and communication The exchange of information within the NAO and with external parties such as audited bodies and regulators.				<p>The improved risk status reflects enhancements in how we communicate issues to colleagues, ensuring robust information and communication systems support audit delivery.</p> <p>In 2024-25 this included the following.</p> <ul style="list-style-type: none"> Expanding our use of audit quality indicators to monitor risks to delivery and quality, enabling more timely support interventions. Continuing to evolve our information reporting for external stakeholders (Appendix Three), the Executive Team and audit teams through weekly risk and delivery update reports. Leveraging our new audit software to begin introducing 'in-flight' quality metrics for real-time monitoring of individual audits. Introducing a monthly scorecard for the NAO Board and Audit Quality Board, consolidating metrics across five domains: strategic progress, technical quality, people, delivery, and stakeholder feedback. <p>We are focused on continuous improvements through actions in our Quality First Plan 2025.</p>
Engagement acceptance and continuance Our judgements about whether it is appropriate to accept or continue a client relationship or specific engagement.				<p>Our positive risk status reflects our mature policies and procedures for considering engagement acceptance, as well as the statutory nature of most of our engagements and more limited new engagement requests.</p> <p>During 2024-25, we further strengthened our response to quality risks in this area by establishing a new governance process to manage risks when we consider accepting new and more complex audits. We are applying our new approach as we take forward, from 2025-26, the audit of train operating companies brought into public ownership.</p>
Ethical requirements Our compliance with relevant ethical requirements, including those related to independence.				<p>Our positive risk status reflects the C&AG's statutory independence as well as our mature policies and procedures for managing ethical risks.</p> <p>Our procedures enable us to identify and respond to potential conflicts of interest as they arise, including the application of appropriate safeguards (see paragraphs 3.9 to 3.17). On rare occasions where, following due consideration, we take an action that may result in a perceived or actual breach of the ethical standards, we report promptly to the FRC (paragraphs 3.16 and 3.17). In 2024-25 we incurred one such matter, which we reported to the FRC.</p>

Note

- 1 Direction of travel indicators compare the movement of our risk assessment between reporting periods. ↑ shows where our actions have managed our risks to an improved position; and ↔ shows where we have maintained our risk profile.

Source: National Audit Office analysis of our International Standard on Quality Management (UK) 1 risk registers

Our continuous improvement

3.31 In July 2024, we received feedback from the FRC's Audit Quality Review team (AQR) on our implementation of ISQM 1 as part of its wider review of how audit firms have implemented the quality management standard. The AQR concluded that, based on the available evidence, we did not meet a key requirement of ISQM 1 since there was no evidence that the system was fully implemented by 15 December 2022 and our evaluation of our SoQM was not completed and approved by 15 December 2023.¹⁰

3.32 In our response to the AQR, we acknowledged we had more to do in taking forward certain aspects to improve further our SoQM. We noted that we had implemented most of the requirements of the new standard by December 2022. This included performing a detailed quality risk assessment, determining review arrangements and setting out responsibilities. We also highlighted that the standard required significant interpretation on implementation, including on the provisions for scalability to size of audit practice. As such, we focused our activity in 2023 on those actions and controls within our system of quality management which responded to high and medium risks to audit quality. Also, while we accepted that our formal evaluation of our SoQM had not been completed by December 2023, it was formally concluded in January 2024.

3.33 During 2024, we undertook a programme of work which addressed these findings. This included re-basing our quality risk registers to ensure that they included all low- and very-low-quality risks and associated responses, documentation of high-level groups of controls, a programme of monitoring against our identified responses to quality risk, and a new process for undertaking our evaluation of our SoQM within the timetable required by ISQM 1.

¹⁰ Financial Reporting Council, [National Audit Office, 2023/24 Audit Quality Inspection](#), October 2024.

3.34 The AQR reported its findings to us in June 2025 on its review of our work in 2024. It found that we had “made significant progress in addressing the matters that were raised” in its previous annual report. It noted that the NAO had identified the need for further improvements and have plans to address these. The AQR’s inspection identified weaknesses in aspects of our SoQM, reinforcing many of our own findings from our annual evaluation (paragraphs 3.35 to 3.39). We are taking action to ensure that:

- we apply our risk identification consistently and with sufficient granularity to enable mitigating responses to be identified and designed appropriately;
- we identify responses that drive consistent and robust mitigation of our risks, and ensure that responses are sufficiently granular to reduce quality risks to an acceptable level;
- where we use controls testing to assess the effectiveness of those controls, we ensure we test a sufficient sample for each key control to provide assurance over the operation of that control;
- we strengthen our monitoring activities over those audits we contract out to understand and remediate any quality issues arising; and
- where we use IT applications and automated controls to support our system of quality management, we evidence how we have gained assurance over the reliability of related controls.

The C&AG’s annual evaluation of our financial audit system of quality management 2024

3.35 ISQM 1 requires the C&AG, who has ultimate responsibility and accountability for our system of quality management, to evaluate formally and annually the effectiveness of our SoQM.

3.36 To support the C&AG in discharging this duty, the NAO’s Director for Audit Risk and Compliance produced an independent report which brought together the monitoring work undertaken by the NAO during 2024 including:

- the outcomes from our formal monitoring and inspection programmes, including our internal and external file reviews and root cause analysis;
- our ISQM 1 assessments of the effectiveness of controls within each of our six risk components; and
- wider assurance work and findings, for example from our audit quality indicators and internal audit assurance.

3.37 Our Executive Director of Financial Audit and members of the Audit Quality Board reviewed and challenged this report and conclusions drawn, seeking further evidence where appropriate, and set out their conclusions to the C&AG.

3.38 The C&AG considered the report and recommendations and also used his experience as Head of the NAO to arrive at his own evaluation. His conclusion was that, as at December 2024, except for the following matters related to identified deficiencies that have a severe but not pervasive effect on its design, implementation and operation, the system of quality management provides the NAO with reasonable assurance that the objectives of the system of quality management are being achieved. The deficiencies that had a severe but not pervasive effect on our system of quality management were that we needed to do more to:

- strengthen our design and implementation of controls and evidence supporting our management of risks within our system of quality management and the effectiveness of key controls;
- continue our efforts so that there is a consistent application of our audit methodology across all our audits in the sufficiency of evidence and application of audit scepticism – further improvements were needed in areas of high complexity, such as estimates, corporate areas where we may have less experience (for example, in tax and dividend distributions), and in the application of our journals audit methodology;
- strengthen aspects of our culture that relate to engagement performance, in particular, getting the balance right between quality and delivery in all cases;

- improve project and client management so that we are better able to conclude quality audits in a more timely way; and
- reinforce our message that all our people are required to comply with our policies and procedures and are held to account for doing so.

3.39 We have developed an action plan to address the weaknesses highlighted by the NAO and AQR. While we will continue to strengthen our quality management, Part Four of our report highlights that our internal and external quality review outcomes have improved significantly. This provides us with assurance that the actions that we are taking as part of our system of quality management are having a positive impact on audit quality.

Our system of quality management for VFM and wider assurance work

The key elements of our system of quality management

3.40 All of our VFM work should consistently meet external and internal quality standards so that it is trusted and credible. The standards we expect our people to work to are set out in **Figure 8**.

Figure 8

Value-for-money quality standards

We are:

Independent

We meet international standards for quality, behaviour and ethics.

Professional

We meet our legal and professional obligations.

Open

We value different perspectives and invite feedback and challenge.

Efficient

We scope our work to meet the objectives for the audit.

Our work is seen as:

Relevant

We focus our work on the right issues at the right time to make the greatest difference.

Accurate

We use robust evidence and show clearly how we have reached our judgements.

Accessible

Our work is clear, inclusive and engaging.

Focused on outcomes

We can show our work leads to positive changes in public services.

Source: National Audit Office

3.41 Independent reviews of our published work are an important part of our quality approach. Each year, a sample of reports are reviewed to assess how well they meet our standards and to identify good practice, and areas where we might improve aspects of our system of quality management. This year, 12 reports were internally reviewed, and 20 reports were externally reviewed. Three of these reports were reviewed both internally and externally, so the total number of reports reviewed was 29.

3.42 Independent reviews are done in two ways.

- **Internal cold reviews:** These are completed and moderated by NAO staff who are independent of the audit team whose work is being reviewed. Reviews follow our findings and conclusions back to the underlying evidence and examine the integrity of the audit trail and documentation.
- **External cold reviews:** These are completed by three different external organisations. Reviews assess the integrity of the evidence and conclusions as they are presented in reports, the clarity of messaging and the quality of methodologies, graphics and statistics.

3.43 At the end of audits, to help teams learn and improve, we use additional information from two sources.

- **Post-project reviews:** These give our audit teams an opportunity to reflect on what went well and what lessons to learn for future audits.
- **Post-publication surveys:** These let our audited bodies give us feedback on our reports and what it is like to work with us.

3.44 We examine thematically the issues emerging from independent reviews, post-project reviews and surveys to inform continuous improvement activity across VFM policies, processes, guidance and learning and development.

Our assessment of our VFM system of quality management

3.45 The annual quality review process for our VFM and wider assurance work shows that overall, we continue to meet the high standards we set. Internal and external cold reviews found only a small number of reports did not consistently meet the expected standard, but these did not raise concerns about the robustness of report findings and conclusions.

3.46 Over the next year, we will focus our efforts on sharing good practice more consistently across our VFM and wider assurance work to ensure we are all meeting our stringent quality standards.



Part Four

The quality of our financial audit work

4.1 This part:

- outlines what we did during 2024-25 to enhance the quality of our audit work;
- sets out the outcomes from our most recent quality reviews of a sample of our financial audits; and
- identifies the key areas for improvement and our plans to address these.

Our Quality First Plan

4.2 In last year's Transparency Report, we highlighted that the conclusions from our quality reviews were disappointing, as they did not yet reflect fully the measures we had put in place to ensure all our audits met our quality standards. We concluded that these quality findings did not point to a fundamental flaw in our audit methodology and showed that we can, and do, deliver high-quality audit work. However, we recognised that there was more for us to do to ensure all audit teams apply our methodology properly and consistently across our portfolio of individual audits.

4.3 In response to this, in April 2024, we launched and began implementing our Quality First Plan. This plan was the next step in our improvement programme, building on our Audit Transformation Programme and previous quality plans. We shaped its focus through comprehensive diagnostic analyses, building on external and internal quality reviews, root cause analysis reviews, and colleague feedback. We also looked externally, to learn from others in the profession. With these insights, we developed six pillars (**Figure 9**) which are the core elements of our plan. Using these, we designed more targeted interventions to accelerate the benefits of our transformation programme, and to introduce fresh measures to strengthen areas of our system of quality management requiring improvement.

Figure 9

The National Audit Office's Financial Audit Quality First Plan 2024-25

Resources	Improving capacity, capability and resilience – more resources, improved planning and management, better recruitment processes, a new contracting out model
Learning & culture	Nurturing a quality-first culture and improving capability – more and better learning and development; refreshed approach to engagement and communications, a greater understanding of our culture and a focus on behaviours
Methodology & support	Supporting staff with best practice methodology policies and practice – a new support model with quality directors and business partners; clearer audit responses and requirements; improved sampling approach; more investment in centres of expertise; and an enhanced quality support framework for high-risk audits
Technology	Taking all opportunities to use technology to improve audit – delivering enhancements to Apex; a new engagement portal; adopting new artificial intelligence technologies; and improved sampling, journals and other applications
Assurance	Robust monitoring and assurance – an accelerated cold review model; audit quality indicators and dashboards; improved root cause analysis; and better disseminations of lessons learned
Our context	Influencing our external auditing environment and stakeholders – including the Financial Reporting Council and government on the role of public audit

Source: National Audit Office Quality First Plan

4.4 Our Quality First Plan is a comprehensive, whole-system roadmap for our change programme, designed to embed quality throughout the National Audit Office (NAO), ensuring every aspect of our audit is designed to deliver high quality. Through our plan, our aim is to make achieving high quality consistently in all our audit work as straightforward as possible for our teams. Our plan places a much greater emphasis on people and their development, fostering engagement and nurturing a 'quality first' culture. We also, for the first time, included actions related to external factors – including audited bodies, standard setters and our regulator.

4.5 During 2024-25, we made significant progress against the goals set out in our Quality First Plan (**Figure 10**).

- In 2024, we saw the completion of our first audit cycle using both our new methodology and our new Apex system, ensuring our teams were supported through guided workflows and clearer audit responses and requirements.
- The results of our People Surveys and quality surveys showed marked improvements across key areas, including team working, senior leadership, and organisational culture.¹¹ These gains reflect our sustained efforts to strengthen our audit culture and drive positive change through enhanced learning and development (L&D) interventions, increased resourcing and improved operational planning.
- We updated our L&D Strategy to better align with the NAO's organisational objectives, expanding technical and non-technical training and placing greater emphasis on performance management and feedback. We also increased the capacity of our L&D team, recruiting a new Director to lead this work. Further detail is set out in Part Six of this report.
- Operationally, we implemented a revised planning process to support delivery ambitions, introduced a new resourcing dashboard, and embedded a more data-led approach to prioritisation and risk escalation. These changes have helped us better match resources to demand and improve the resilience of our audit delivery model.

¹¹ See Figure 27, Appendix Three, paragraph 4.6 and Figure 11.

Figure 10**An overview of our achievements from our Quality First Plan 2024-25**

Our key achievements:

Improved external and internal quality grades

Increased engagement and quality focus

Focused engagement with audited bodies and other stakeholders

Other achievements include:

We used our new Apex system and methodology for a full audit cycle



We widened our learning and development offer, with spring and autumn accelerator training for financial auditors

We improved management of resources through enhanced operational planning and supported the delivery of quality audits



We saw a **15%** increase in headcount



We had timelier internal and external reviews and feedback



We introduced a new quality survey to better understand our people's views and attitudes with respect to quality

We had stronger engagement with audited bodies, HM Treasury and the Government Finance Function

We improved our audit methodology, including improving our test steps and workbooks



We provided enhanced IT audit support, data and technology including the samples app, the journals app, AIMS v2 and the DataSnipper tool



Audit Quality Directors and business partners provided leadership and support to groups

Notes

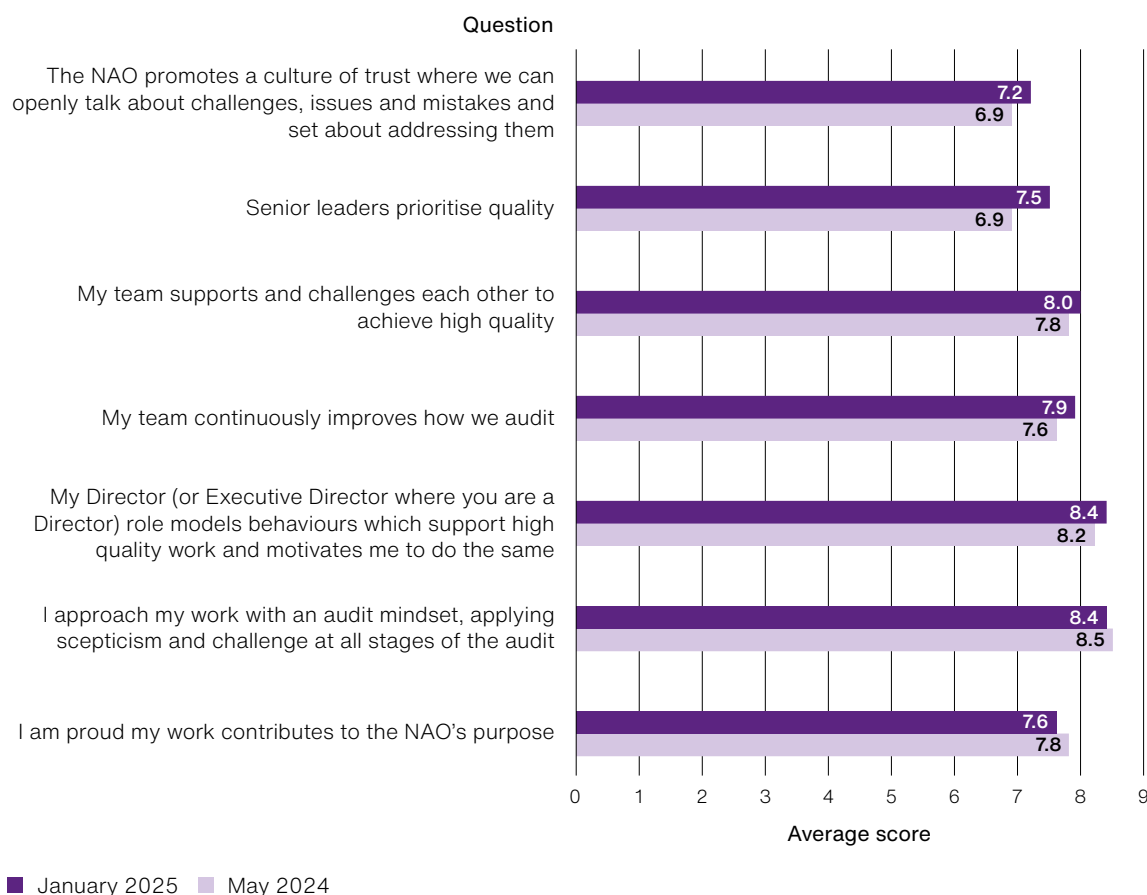
- 1 Apex is the National Audit Office's (NAO's) audit platform, which was used in 2024-25 for most of our 2023-24 financial audits.
- 2 AIMS refers to the Audit Information Management System. It is a cloud-based data analytics platform used by the NAO for its financial audits.
- 3 DataSnipper is an audit automation tool, which is used by financial auditors to speed up routine day-to-day audit tasks.

Source: National Audit Office

4.6 From May 2024, as part of our Quality First Plan, we introduced a financial audit quality survey, within our People Survey, to help us better understand and build our culture, based on our people's views on audit quality. The results from our first quality survey in May 2024 provided a baseline measure for us to monitor ongoing progress. Our subsequent surveys, in September 2024 and January 2025, showed that colleagues recognised the ongoing importance of delivering high-quality audit work (**Figure 11**).

Figure 11

Financial Audit Quality Survey



Note

1 Responses were provided on a scale of 0 to 10. We judge that a score of 7 is good.

Source: National Audit Office

- 4.7** Building on this progress, in March 2025, we updated our Quality First Plan for 2025-26. Our plan focuses on actions that will further embed quality as well as improve productivity, efficiency and workload. It builds on the momentum of our first plan and supports our goals to deliver high-quality audits every time.
- 4.8** Our actions for 2025-26 against our key pillars are set out in **Figure 12** overleaf.



Figure 12**National Audit Office's (NAO's) Quality First Plan 2025-26
areas of focus**

Quality First Plan pillar (Figure 9)	Areas of focus
Resources	<ul style="list-style-type: none"> Continue to increase our capacity, capabilities and resilience through: <ul style="list-style-type: none"> improved workloads through efficiency in the use of technology and our methodology; better portfolio and project management, so that audits are well managed and staff have clear expectations on the time taken to deliver work; improved planning of staffing; and more effective working with our framework partners.
Learning & culture	<ul style="list-style-type: none"> Embed our culture of quality, including learning from others both internally and externally and encouraging the behaviours that underpin quality such as effective knowledge sharing. Continue to deliver our successful Spring and Autumn accelerator programmes, alongside a new financial audit curriculum to support role-based learning. Launch an NAO-wide initiative on high-performing teams, to ensure everyone is working in a way that supports productivity and high-quality audits.
Methodology & support	<ul style="list-style-type: none"> Support staff through best practice methodology and practice. Continue to develop our centres of expertise and targeted support for IFRS 17 insurance contracts implementation.
Technology	<ul style="list-style-type: none"> Continue to innovate and improve our current technology, and invest in new technologies that support our ambitions. Deliver a more digital approach to our audits, and provide more digital training to our staff. Develop further our audit software tool, Apex, and the audit content that supports auditors in their testing. For example, we will develop a new audit portal to improve engagement with audited bodies and enable better project management.
Assurance	<ul style="list-style-type: none"> Respond to feedback to improve our system of quality management and to address findings from our quality reviews. Further embed our audit quality indicators to support the identification of risks to audit quality and delivery. Enhance our monitoring work further by building on our hot review programme on risk assessing our audits; and our cold review programme to further improve its effectiveness.
Our context	<ul style="list-style-type: none"> Influence our external auditing environment and our stakeholders, including Parliament, HM Treasury and the Government Finance Function, and the Financial Reporting Council. Develop an influencing plan on reporting and audit requirements for smaller audits. Improve our insight by improving the quality of our recommendations. Publish our first annual financial audit insights report drawing on information from across our audits.

Source: National Audit Office Quality First Plan 2025-26

- 4.9** Our most recent internal and external quality inspections, of our 2023-24 audits, show an increased proportion that met quality standards compared with recent years (paragraphs 4.10 to 4.20). This positive outcome is encouraging and demonstrates that we are seeing the benefits from the investment made in both our new methodology and audit software platform, and the wider interventions in which we have invested as part of our Quality First Plan.

Quality reviews

- 4.10** We are committed to all our financial audit work meeting our quality standards. We have rigorous internal and external quality inspection regimes in place. These select samples of audit files taken from our population of audits certified each year. The purpose of each review is to check whether we have complied with the NAO's Financial Audit Manual and International Standards on Auditing (UK).
- 4.11** Each audit is graded, after consideration of the quality of evidence presented on the audit file, with one of four grades: good; requiring only limited improvements; improvement required; or significant improvement required. Those audits that fall within the first two grades are judged to meet our quality standards.
- 4.12** Where deficiencies in our work are identified through these reviews, we seek to learn and take action on individual audits as quickly as possible so that they do not arise again. We assess these issues from an organisation-wide perspective and review whether they change our risk assessment, or they suggest a need to improve the controls we have in place. We also consider where we need to enhance our wider processes and procedures. We capture these actions in our annual quality plans, which we then monitor so that actions are implemented.

Internal quality reviews

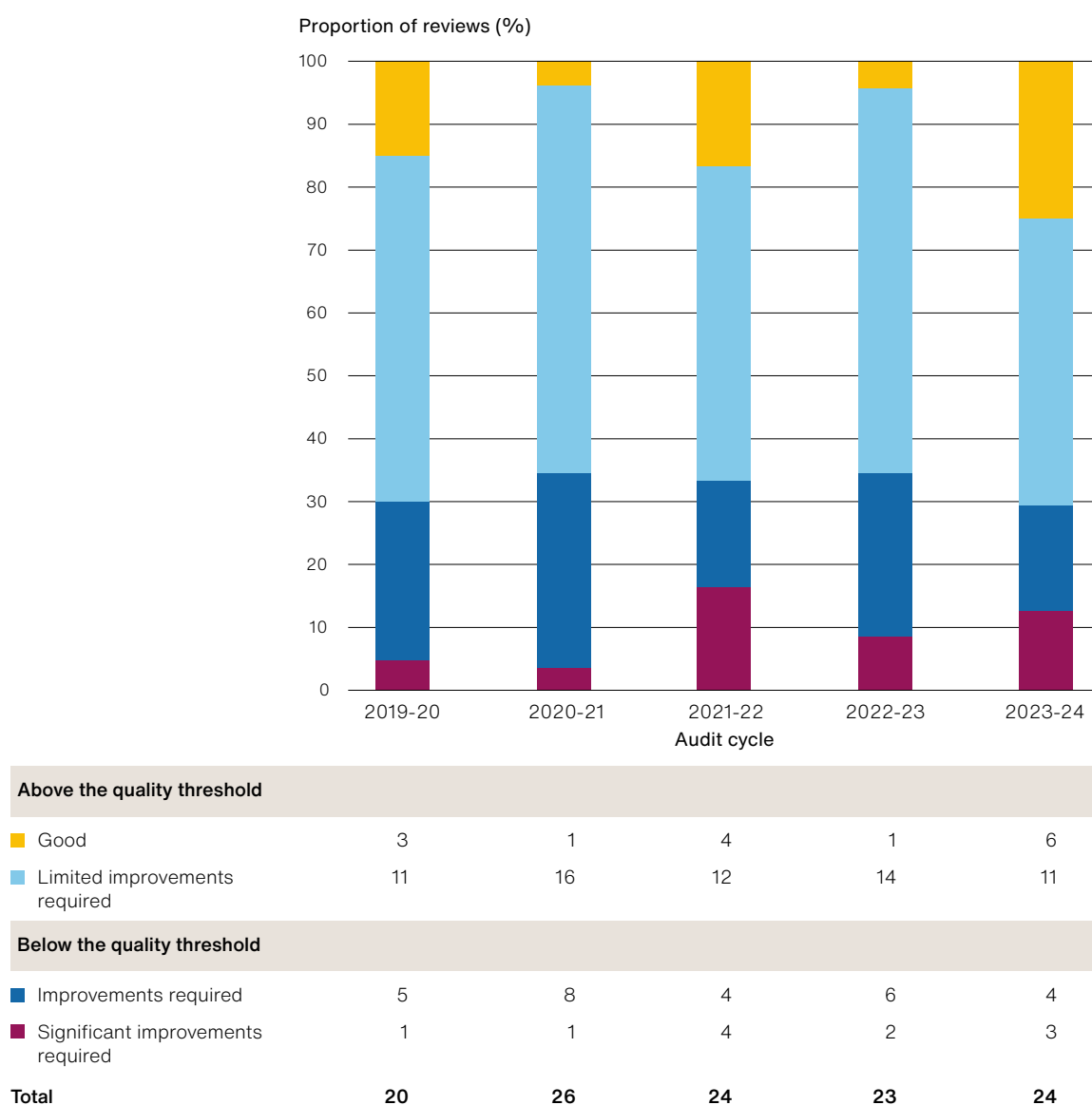
- 4.13** The NAO's Financial Audit Risk and Compliance Team manages an independent annual internal quality assurance programme, reviewing a sample of completed audits each year. These reviews are undertaken by independent audit managers and senior audit managers and are overseen by a group of experienced financial audit directors.
- 4.14** During 2024-25, we reviewed 24 audits from the 2023-24 audit cycle (compared with 23 audits from 2022-23 reviewed in the previous year). Of these, 71% were assessed as 'good' or 'requiring only limited improvements', an increase from 65% in the prior year.

However, four audits reviewed required improvement, and a further three highlighted areas where significant improvement was required.

Figure 13 summarises the results from our internal quality reviews from 2019-20 to 2023-24.

Figure 13

National Audit Office (NAO) results from internal quality reviews, 2019-20 to 2023-24



Source: National Audit Office results from internal quality reviews and Figure 24, Appendix Three

4.15 Findings from these reviews in 2024-25 primarily arose where audit teams did not fully follow the NAO's guidance and policies when completing their work. We do not consider these findings to indicate a flaw in our audit methodology. However, they do highlight the need for continued focus on ensuring that our quality standards are applied consistently across all audits, every time. We need to do more to:

- improve the quality of evidence on the group audit file on our assessment of the adequacy of the component auditor's work;
- evidence our robust consideration of our risk assessment at the planning stages of our audits, so that appropriate audit work is subsequently completed;
- ensure key judgements applied by the audited body in their financial statements are properly supported so we meet the standards of review required of us in the audit of such judgements;
- ensure we fully address potential risks of management override of controls identified in our testing;
- ensure key documentation is retained on the audit file;
- ensure senior team members on each audit undertake and evidence sufficient review of the team's work on the audit file;
- reconsider going concern where there is a time gap between the audit work being completed and the timing of our audit report; and
- check that our audit report aligns with the financial statements and letters of engagement.

4.16 For our more complex and high-profile audits, we undertake a programme of peer reviews before audits are certified. These 'hot' reviews provide independent challenge to the audit team on the quality of the evidence presented on the audit file. These give us an early indication of the effectiveness of our quality interventions and where we might need to introduce other measures to strengthen our approach further.

External quality reviews

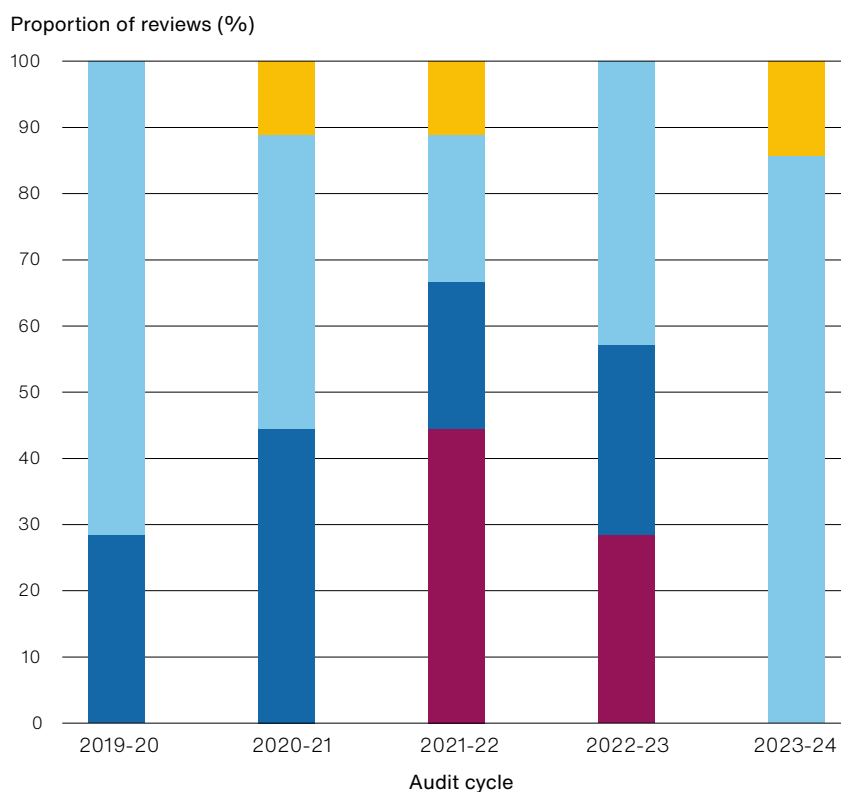
4.17 The Financial Reporting Council's (FRC's) Audit Quality Review team (AQR) reviewed a sample of seven 2023-24 audits – five conducted under the Companies Act and two from the wider portfolio.

This was the same number of audits reviewed as in the previous year. Of these, 100% were assessed as ‘good’ or ‘requiring only limited improvements’, a significant increase from 43% in 2022-23.

Figure 14 presents the results from our external quality reviews from 2019-20 to 2023-24.

Figure 14

National Audit Office (NAO) results from external quality reviews, 2019-20 to 2023-24



Above the quality threshold

Good	0	1	1	0	1
Limited improvements required	5	4	2	3	6

Below the quality threshold

Improvements required	2	4	2	2	0
Significant improvements required	0	0	4	2	0
Total	7	9	9	7	7

Source: National Audit Office results from external quality reviews and Figure 24, Appendix Three

4.18 The AQR highlighted that audit quality has significantly improved compared with the prior year and, for the first time for several years, it has seen consistency in audit quality. It described the steps we have taken to prioritise audit quality as very encouraging. Our progress reflects the tangible impact of the sustained investment we have made in our Financial Audit Service Line in recent years, through our Audit Transformation Programme and our new Quality First Plan, as well as the hard work of our people. This demonstrates our ability to meet our quality standards, albeit based on a small sample of our audit work.

4.19 The AQR found areas of good practice. For example, on one audit of a highly specialised nature which we were conducting for the first time, the team identified where it needed additional training and expertise. As a result, the team demonstrated a good understanding of the audited entity and its business environment. On another audit, there was robust challenge by the audit team of a highly complex valuation involving significant management judgements, including engaging with additional experts to support its evaluation.

4.20 The AQR did identify a small number of limited areas for improvement.

- We should have done more to evidence professional scepticism in evaluating the reliability of management's information, particularly when drawn from systems managed by the audited body.
- We need to do more to evidence our corroboration of management's explanations in areas of significant risk, including our challenge of management and their experts.
- We need to improve our procedures to confirm revenues are recorded in the correct accounting period.

4.21 Further detail on the external financial audit inspection programme is in Appendix Two.

4.22 Our internal and external reviews show that the quality of our work has improved compared to previous years. We recognise that these outcomes are based on the audits selected and, as such, the grades in any one year might vary over time. We are therefore not complacent based on our current position and know there is more for us to do. The focus of our Quality First Plan 2025 (paragraphs 4.7 to 4.8 and Figure 12) is on ensuring that we embed and sustain into the future the quality improvements we have made.

Key actions following our quality reviews

4.23 Following the completion of our quality reviews, we seek to learn from the outcomes to strengthen further our system of quality management. We do this through an annual programme of root cause analysis (RCA).

4.24 During 2024-25, we applied RCA to those audits where our quality reviews identified deficiencies and to those which met our quality standards. Our work identified that audits that meet quality standards exhibited the following factors, the absence of which could lead to poorer quality audits (**Figure 15**).

Figure 15

Root cause analysis of our quality findings

The audit team had the right people in the right place at the right time	<ul style="list-style-type: none"> Team members had clear roles and responsibilities and had an accessible line manager and appropriate coaching and support. Team members had the right skills for their audit tasks. Team members documented their work clearly, followed the relevant audit tests correctly and stood back from their work to consider whether it met our standards. The team exhibited careful project management involving all team members and the audited body.
The audit team had a culture of quality at its heart	<ul style="list-style-type: none"> A 'tone from the top' of the audit team stressed the importance of audit quality and continuous improvement. Team members were willing to challenge management and applied audit scepticism over evidence presented by the audited body. The team was prepared to challenge the timetable where further evidence was needed from the audited body.
The audit team sought wider support	<ul style="list-style-type: none"> The team exhibited its openness to wider interventions to support it in its work, including from our technical team, our centres of expertise, and other experts. Team members ensured that project plans were designed so that the team completed its audit work with enough time to allow a review by more senior team members, the engagement quality reviewer, and the peer reviewer (under our hot review programme) so that such reviews were able to confirm that the audit met our quality standards.
The audit team worked effectively with the audited entity	<ul style="list-style-type: none"> The team worked with audited entities so that management was clear about the standards of evidence required by their auditors.

Source: National Audit Office analysis

4.25 We also apply RCA to identify NAO-wide barriers to delivering good-quality audits. In 2024-25, we conducted a thematic review on the implementation of International Standard on Quality Management (UK) 1 (ISQM 1) following the FRC's findings (paragraph 3.34), and on managing resourcing pressures on audits. We also undertook our annual review of audits where there were prior period adjustments.

4.26 Where significant quality deficiencies have been identified on a specific audit, we intervene in the following year's audit to ensure that the team has taken forward the actions it agreed. These interventions could take the form of a quality review undertaken while the audit is ongoing (known as a 'hot' review), a peer review undertaken by an independent director (known as an engagement quality review), or more focused technical reviews.

4.27 Our findings from our quality reviews and our wider learning from our RCA work feed into our training programmes (see Part Six) and are reflected in our revised Quality First Plan. This activity is supplemented through regular bulletins to all financial audit colleagues in the form of further technical guidance, discussions within our grade groups, and to specific interventions where warranted.



Part Five

The quality of our value-for-money work

5.1 This part sets out the results from the 2024 internal and external reviews of our value-for-money (VFM) and wider assurance work. Both internal and external reviews presented an overall positive outcome, with external reviewers identifying more best practice reports compared with previous years. We present the areas of good practice found and the areas for improvement, and outline how we are using insights from the reviews to help us continue to improve the quality of our work.

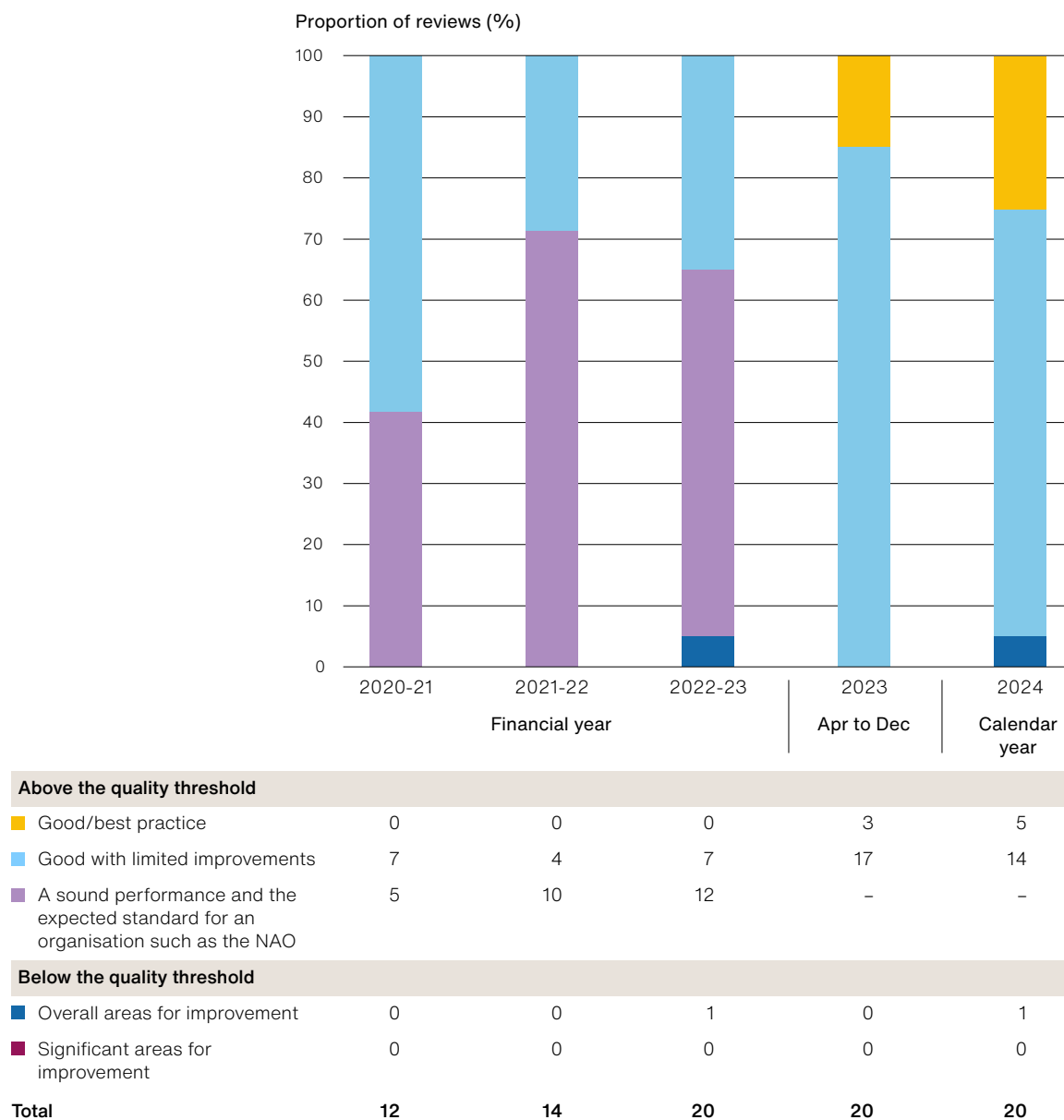
Quality assurance arrangements

External cold review results

5.2 External reviews provide us with a valuable perspective on our published reports. In 2024, we had 20 reports, a third of our published value-for-money and wider assurance work, externally reviewed. The reviewed reports included three different product types: VFM, investigations and lessons learned reports. The reviews were conducted by Grant Thornton, RAND Europe and Risk Solutions. **Figure 16** shows the review outcomes for the last five years.

Strengths

5.3 Reviewers concluded that our higher-rated reports were well written, accessible and interesting to read, with coherent narrative flow; that there was a 'golden thread' from findings to conclusions; and that they clearly set out scope and context. Because our reports include references to our previous work, reviewers understood how the work formed part of an ongoing programme where we are taking an interest in a theme over the long-term.

Figure 16**Value-for-money external cold review results, 2020-21 to 2024****Notes**

- 1 We changed our review ratings in 2023 to focus the reviews more closely on our new value-for-money (VFM) standards, and introduced a four-point rating scale. This new scale is consistent with our internal cold review approach. This means that the middle 'sound performance' category no longer exists.
- 2 In 2023 we adjusted our external cold review reporting to follow the calendar year, rather than the financial year. The first three months of 2023 were covered in the 2022-23 financial year, therefore reports for cold review were selected from those published from 1 April to 31 December only.
- 3 The external cold reviews allow us to draw conclusions about the quality of the reports in the sample. The results shown in this figure cannot be extrapolated to apply to all value-for-money and wider assurance products.

Source: National Audit Office analysis of internal data and Figure 24, Appendix Three

- 5.4** Reviewers noted that many recommendations were logical and actionable, naming who is responsible for actioning them and the timeframe for action. Reviewers commended reports that explained why the recommendation was being put forward and the impact it was likely to have. Reviewers thought reports continued to make good use of quantitative and qualitative analysis, with clear and coherent graphics that serve useful purposes.

Areas for improvement

- 5.5** Reviewers identified areas for improvement in some of our reports, including reports needing to be clearer about why a certain type of report was chosen (lessons learned, VFM or investigation); the objectives of the audit; its timing; and evaluative criteria where reports draw a VFM conclusion. They noted that some reports could do more to make comparisons with previous or subsequent performance or external benchmarks.
- 5.6** Reviewers suggested some reports could have a more robust tone and direct approach when presenting findings and conclusions on value for money. They noted that some recommendations were less clearly supported by the evidence presented in reports and that some reports had significant findings that lacked an accompanying recommendation. Reviewers would like us to examine systemic issues and root causes, and account for complexity to an even greater extent. This would enable us to draw deeper insights and more meaningful conclusions and recommendations. Reviewers thought some reports could reduce repetition with alternative structuring, for example around key challenges, rather than a chronological structure.



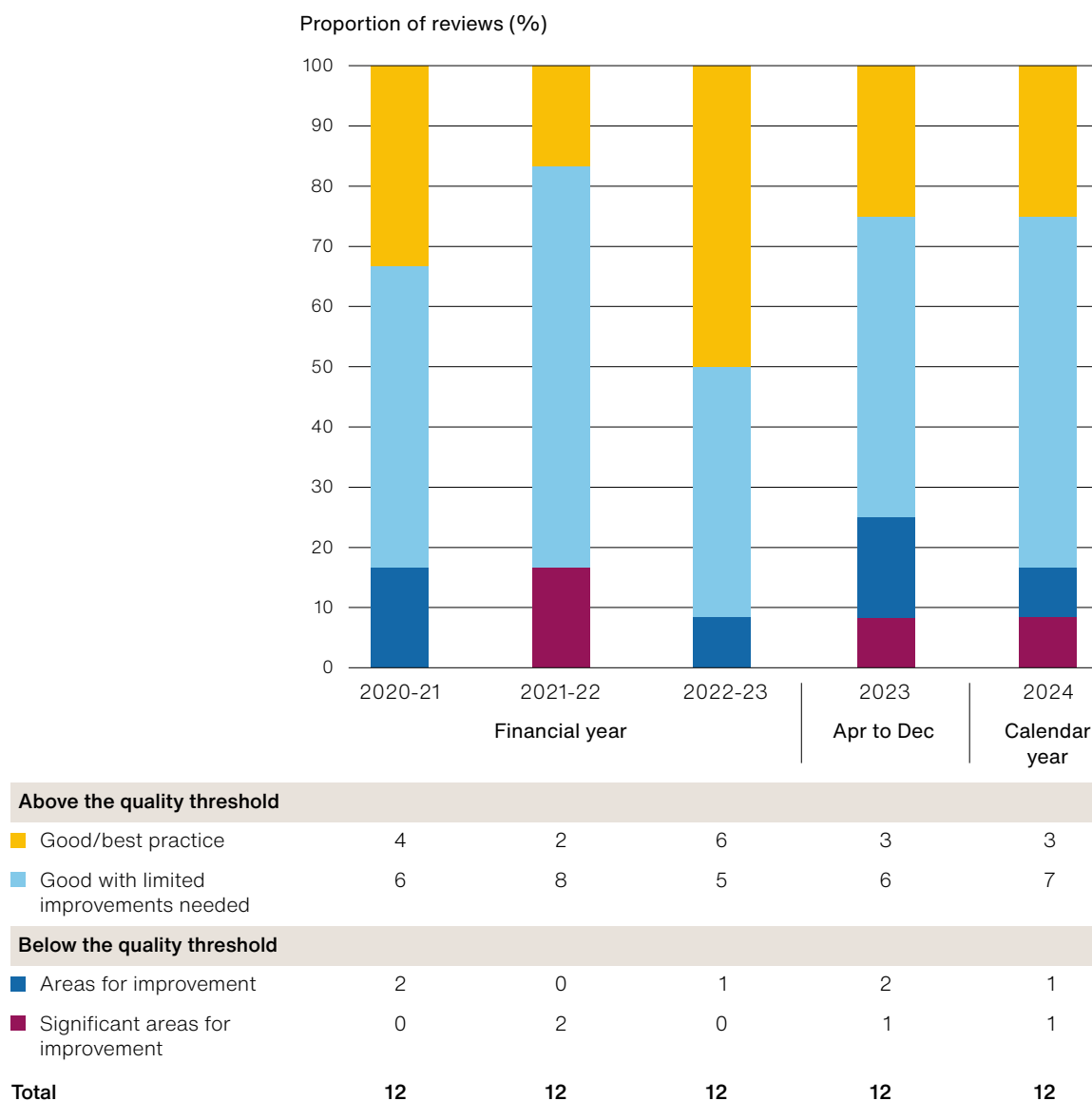
Internal cold review results

- 5.7** Internal reviews promote awareness of our quality standards and expected ways of working. They identify whether our work is meeting these standards, highlight best practice in what we do and how we do it, identify whether our quality management system is working effectively, and provide transparency on the quality of our work and where we can improve.
- 5.8** In 2024, we had 12 reports, a fifth of our published value-for-money, investigation, and lessons learned reports, internally reviewed. Three of these reports were also in the sample for external review. Three reports is a very small sample size, but this gives us some reassurance that there is a degree of consistency between the findings of internal and external review processes. **Figure 17** overleaf shows the review outcomes for the last five years.

Strengths

- 5.9** Reviewers identified many areas of good practice. They found that teams considered the purpose of studies and outcomes they wanted to achieve from the start. Reviewers highlighted good engagement with audited bodies about recommendations, and that many teams continued to monitor and follow these up after publication. The reviews found evidence bases that were clear, used multiple sources of evidence, evidenced the weight of findings and were well reviewed. These provide assurance that reports have robust conclusions. Reviewers thought experts were well chosen and that independent challenge was used effectively to manage risks to quality. The reviews highlighted examples of teams actively managing risks to quality and mentioned that there was good compliance with mandatory steps.



Figure 17**Value-for-money internal cold review results, 2020-21 to 2024****Notes**

- 1 In 2023 we adjusted our internal cold review reporting to follow the calendar year, rather than the financial year. The first three months of 2023 were covered in the 2022-23 financial year, therefore reports for cold review were selected from those published from 1 April to 31 December only. Each period covered in this figure covers 12 cold reviewed reports.
- 2 The internal cold reviews allow us to draw conclusions about the quality of the reports in the sample. The results shown in this figure cannot be extrapolated to apply to all value-for-money and wider assurance products.
- 3 In our Transparency Report for 2023-24, we showed that, for 2020-21, zero reports were rated 'areas for improvement' and two reports rated 'significant areas for improvement'. These figures have been restated to the correct position which was that two reports were rated 'areas for improvement' and zero reports rated 'significant areas for improvement'.

Source: National Audit Office analysis of internal data and Figure 24, Appendix Three

Areas for improvement

5.10 The reviews highlighted that, in some areas, there was a range in performance from the best practice to the worst. In a few instances, reviewers found it hard to find evidence to support key findings without the help of the audit team. The two audits that did not meet our standards had evidence bases that were less rigorously documented than the others. The reviewers found variety in the timing and extent of evidence base review, and in the recording of the rationale for the approach to evidence base review. Although the validity of report findings was not affected, the reviews suggested an opportunity to improve the consistency in documentation of approaches and evidence bases, and the need for more open discussion of the timing, purpose and proportionality of evidence base review.

Findings from post-project reviews

5.11 Post-project reviews are discussions, facilitated by the National Audit Office's (NAO's) VFM Practice and Quality Team, where audit teams reflect on how well they set themselves up for success. They reinforce a culture of reflection and improvement.

5.12 Teams identified the importance of having the right composition of skills and experience; a regular, open and inclusive approach to collaboration and communication; and well-planned and organised activities. Teams highlighted the value in handling data well, for instance having contingency plans for when audited body data were late, unstable or of poor quality. Teams also noted the benefits of innovative methods to analyse and present information effectively.

Findings from post-publication surveys

5.13 After a report is published, audit teams send post-publication surveys to key contacts in audited bodies. The survey gives audited bodies the opportunity to comment on how we worked with them. Audited bodies can also state the extent to which the work has influenced improvements or is likely to. In 2024, we received 42 survey responses, covering 31 of our published reports. The survey questions map against our eight VFM quality standards.

- 5.14** All survey respondents agreed that teams developed a sufficient understanding of their organisation to carry out the audit effectively. Most respondents were very satisfied with the audit team's responses to their comments during clearance. Overall, respondents found clearance to be an efficient and timely process, commenting on the audit teams being engaging and open to feedback.
- 5.15** Most respondents agreed that, to some extent, our work prompted their organisation to look again at the topic and seek to make improvements, and that our work supported Parliament and others to better understand the issues.
- 5.16** Survey responses indicated some areas where we need to improve the consistency of our approach. These included audit teams being better at: involving audited bodies in the development of the audit scope; targeting and explaining information requests; and making relevant and actionable recommendations.

VFM quality assurance improvement plans

- 5.17** As part of the National Audit Office (NAO) Strategy 2025–2030, we will be focusing on innovative methods and increasing our impact on the productivity and resilience of public services. The quality of all of our work must consistently meet the highest standards, so that it is trusted and credible. We continue to develop our work and, during 2024, undertook the following.
- **Introduced tools to automate and streamline our work, including:** A system to automate controls on ethical declarations; automated closedown reminders to ensure compliance with audit standards; and improvements to the VFM guidance.
 - **Supported client engagement by:** Adding stakeholder engagement training to the VFM curriculum; developing an audit engagement pack; and improving post-publication reviews and surveys.
 - **Reinforced the importance of a quality culture by:** Running mandatory training on scoping and project management; sharing good practice in showcase events; and expanding the range of staff involved in internal cold reviews.

5.18 We had close to 100% compliance with the VFM mandatory training.¹²

In a survey to evaluate how VFM staff had applied the learning from the scoping and project management training and group events to their jobs, 96% of respondents stated that at least one of the four mandatory training events they attended had “helped them to do their job”.

Our plans in response to the 2024 Annual Quality Review findings

5.19 To enhance our delivery of the NAO’s strategic ambitions, we continue to focus on quality, influence, and people and culture. We want to achieve even greater consistency in our work by:

- continuing to identify and share good practice from our quality reviews at annual quality updates and showcases;
- improving internal monitoring and indicators relating to quality and programme management;
- supporting more consistent documentation of evidence bases and identifying opportunities to streamline or use new tools to support documentation; and
- further developing the curriculum of mandatory and optional learning and development and ensuring that staff have up-to-date skills and training in audit techniques and key functional requirements within the public sector.

¹² See Figure 32, Appendix Three.

Part Six

People

- 6.1** In this part we highlight the actions we take to attract, develop and retain our people so they are best placed to meet our professional standards while applying our values of excellence, inclusivity and respect, courage, integrity and curiosity.
- 6.2** Our strategy is to maintain our competitiveness as a professional audit body in attracting talented and diverse people and supporting their development so that they have the skills and capabilities to continue to meet our objectives of delivering high-quality audit work.

Attracting talent to join the National Audit Office (NAO)

- 6.3** We continue to invest in maintaining our competitiveness as an attractive employer within the wider audit and accountancy profession. As a result, we are able to keep pace with industry developments to recruit experienced audit professionals and other specialists, including economists, statisticians, and learning and development (L&D) and digital experts. We also recruit analysts to support value-for-money (VFM) work, and wider experts as we develop the breadth and impact of our insight teams.
- 6.4** To match business need with people, we have ongoing recruitment campaigns so that we can address resource pressures when needed. We increased the number of full-time equivalent people we employ from an average of 965 in 2023-24 to 1,028 in 2024-25 (including temporary and seconded staff).
- 6.5** A key element of our recruitment campaign is attracting talent through our graduate and school leaver programmes. We recruited 94 people to our graduate scheme and 14 to our school leaver scheme in 2024. Our graduate campaign runs annually, starting in autumn and concluding in December.

We offer graduates two entry paths: an early start from January to April so colleagues can gain audit experience before starting the training scheme, or the following September, once others have graduated. Our graduates get the opportunity to work on both financial audit and VFM as part of their training experience.

- 6.6** We are a training provider for the Institute of Chartered Accountants in England and Wales (ICAEW) professional training scheme. In 2024-25, our examination success rates for our trainees were higher than the national average (**Figure 18**). Our Level 4 Apprentices end-point assessment pass rate was 100%.
- 6.7** Our ambition is to be an exemplar organisation. Our Diversity and Inclusion Strategy 2021–2025 set clear and ambitious targets to increase diversity across the NAO and to promote an inclusive work environment. This strategy is supported by action plans for race, disability and social mobility. Progress against our targets is monitored by our Diversity and Inclusion Operational Committee and our Executive Team.
- 6.8** We increased the proportion of women in more senior positions in 2024-25. We continued to recruit more ethnic minority trainees and have improved retention over the last 12 months, but we know that we have more to do to support their progression to senior management.

Figure 18

Trainee examination success rates

Description	Target (%)	Current year 2024-25 (%)	Prior year 2023-24 (%)	Change between 2023-24 and 2024-25
Percentage of trainees passing their professional stage examination with the Institute of Chartered Accountants in England and Wales (ICAEW) at the first attempt	ICAEW average of 84 (2023-24: 83)	89	88	Increase of 1 percentage point
Percentage of trainees passing the advanced stage examination with the ICAEW at the first attempt	ICAEW average of 86 (2023-24: 87)	88	92	Decrease of 4 percentage points

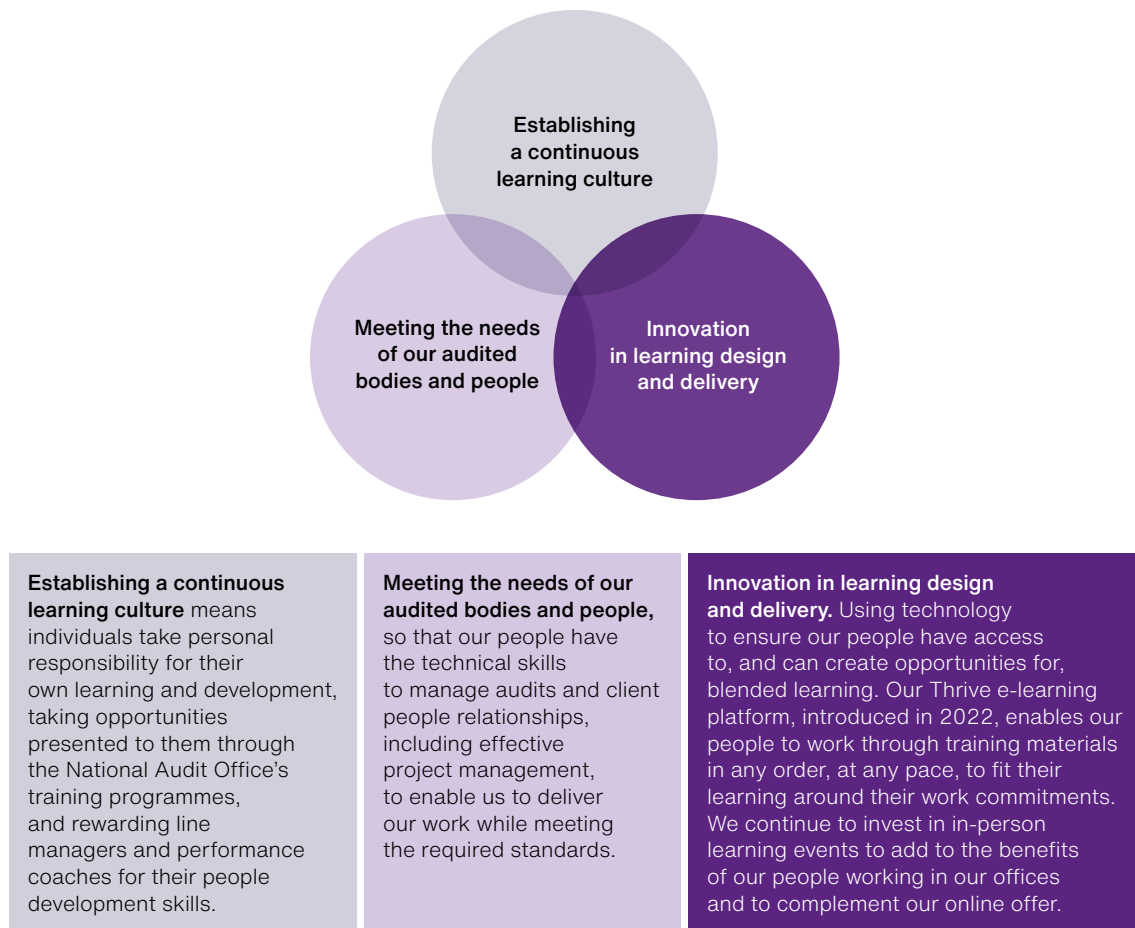
Source: National Audit Office

Our Diversity and Inclusion Annual Report for 2024-25 sets out the measures we have taken this year and includes our diversity data.¹³

Developing our talent

- 6.9** Our auditors need to have, and to maintain, the technical and managerial skills their profession requires. Our L&D team provides a range of learning opportunities designed to foster professional growth and excellence. We continue to enhance these opportunities to provide our colleagues with up-to-date and relevant technical and managerial skills so they can both meet their personal objectives and do their work effectively, meeting the quality standards we expect.
- 6.10** In 2024, we recruited a new L&D Director who brings in a wealth of experience from across different audit firms. We will increase the capacity of the L&D team to meet the increased demands of more extensive financial audit training while providing an expanded business and leadership learning offer to colleagues.
- 6.11** During 2024-25, we updated our Learning and Development Strategy (**Figure 19**) to better align with the NAO's organisational objectives. Our priorities include enhancing both technical and non-technical training, fostering greater engagement among our people, and promoting a stronger culture of performance management and feedback. This revised strategy aims to expand development opportunities, particularly for directors and leaders, to cultivate continuous improvement and excellence throughout the organisation.

¹³ National Audit Office, [Diversity and Inclusion Annual Report 2024-25](#), Figure 31, Appendix Three

Figure 19**The National Audit Office's Learning and Development Strategy**

Source: National Audit Office

Developing managerial and coaching skills for all our people

6.12 Each colleague has a dedicated performance coach who is responsible for supporting the development, performance management, and wellbeing of that individual. This includes discussing assignments that best suit their development while meeting business needs.

6.13 We provide our performance coaches, and other colleagues who have people management responsibilities, with a wide variety of training. This includes our People Management Skills Programme, which combines self-directed learning, workshops and collaborative learning sets, to cover areas such as building effective teams, managing under-performance and sickness absence, and how to have difficult conversations. In 2023-24, we launched our Career Conversations workshop, which combines evidence-based thinking and emotional intelligence to enable performance coaches to have insightful conversations with their coachees. At the beginning of 2025, we extended the programme to include a new module on giving and receiving feedback, which we are now rolling out.

Developing technical skills for financial auditors

6.14 In 2024, we worked with key NAO stakeholders to launch our new financial audit curriculum. This curriculum expanded the volume of technical training, with scheduled interventions throughout the year. It also introduced an offer for new managers and audit leads to assist them in transitioning into their new roles.

6.15 To support our new curriculum, we established a more robust governance structure by introducing the Financial Audit Learning Steering Committee, tasked with overseeing and guiding our L&D initiatives.

6.16 In 2024-25, our technical offer updated colleagues on changes to our audit methodology and audit technology, and addressed specific quality issues identified through our internal and external quality reviews, through the following.

- **Our Autumn Accelerator 2024 Training Programme** for all qualified staff focused on the revised standard (ISA 600) on auditing group financial statements applicable from our 2024-25 cycle of audits, and on applying our new template for planning such audits. The programme also included a refresher on audit documentation, updates on other professional standards to highlight upcoming changes, enhancements to our sampling methodology, and the release of new features on our audit platform, Apex.

- **Our Spring Accelerator 2025 Training Programme** focused on emerging quality findings and specialist financial audit training such as Companies Act, charities and property valuation. It also covered audit technology developments, including an update on Apex, and the rollout of our new DataSnipper tool.
- Both accelerator programmes were delivered as a **blended learning offer**, comprising e-learning modules alongside virtual and in-person sessions led by subject matter experts and practitioners. Colleagues particularly valued the input from practitioners, who shared experiences and best practices.

6.17 We have well-established Centres of Expertise which provide specialist knowledge in key risk areas such as financial instruments, property valuations, and pensions. Colleagues in these roles have access to enhanced opportunities for developing expertise so they can adequately support audit teams across our diverse portfolio of our audits. Through benchmarking and aligning our approaches with professional best practices, we continue to build our own knowledge and insights.

6.18 For our graduates and apprentices, we offer a comprehensive development programme, called Audit Pathways, to support them through the early stages of their careers. This programme integrates technical audit skills within the context of our organisation, as well as complementary skills required to manage teams, projects and clients. It combines structured learning, including hands-on practical sessions, action learning sets, and on-the-job experience. Audit Pathways ensures that our most junior colleagues are well integrated into the workplace, helping them develop knowledge and skills from their first day until they qualify and become confident audit leads.

Developing technical skills for VFM colleagues

6.19 Colleagues working on VFM and insights reports come from diverse professional backgrounds, including finance, audit, economics, statistics and social research. At the NAO, they can use and further develop specialist skills working with our insight teams, also known as 'knowledge hubs', in areas such as digital, analysis and people and operational management. Knowledge hubs also encourage collaborative working, and the sharing of knowledge, between financial and VFM auditors.

6.20 We draw on findings from quality reviews and the latest developments in our audit practice to develop regular VFM training activities, including the following.

- **Annual quality updates:** In annual events for all colleagues working on VFM, we feedback on the findings of our independent external and internal quality reviews and discuss how we are responding to the results. We set out our priorities for the year ahead and engage colleagues in the range of opportunities they have to shape our VFM practice and develop their own skills.
- **Monthly VFM showcases:** In these sessions VFM colleagues share their experiences and good practice with their peers to foster a culture of collaboration and knowledge sharing. These sessions focus on peer-to-peer learning, allowing study teams to look at particular issues such as risk management or audited body engagement in more detail, and hear from those who had particular challenges or successes.
- **A core curriculum of in-person and online training:** We have developed a VFM Core Curriculum that supports colleagues in the skills, culture and standards required for VFM work. It covers essential skills such as scoping and planning, drafting and communicating findings, synthesis of evidence and forming judgements, employing quantitative and qualitative methods, project management, and working with audited bodies and other stakeholders.
- **Specialist skills development pathways:** Alongside their core VFM competencies, we encourage colleagues to develop bespoke skills by joining at least one of our specialist communities via our 'hub pathways' programme. Through individual hub membership, colleagues can map out learning and role-based activities that support specialist skills development from beginner up to advanced and expert level in areas that support our insights and VFM work. There are seven hubs in total, covering a variety of disciplines, for example, analytics (including modelling, surveys or statistics) and qualitative analysis; digital; commercial; environment and climate change; financial and risk management; major projects; and people and operational management.

6.21 We continue to develop our VFM training activities to ensure our work supports both new and existing colleagues. New joiners are expected to complete the structured VFM training programme within their first two to three years of employment. For more experienced colleagues, there are ongoing opportunities to develop and update their skills as required by their work portfolio and in response to insights from our quality review processes. In 2024-25, we enhanced our offer by developing and piloting new stakeholder engagement training.

Wider people development

6.22 As well as development through formal and informal learning opportunities outlined above, we provide many other opportunities for development through on-the-job experiences. We align colleagues' knowledge and experience with new work to further challenge and stretch their capabilities. Staff below manager grade are also able to work on a mixed financial audit and VFM portfolio to help with their development. We strive to ensure our assignment process, which is managed with our performance coaches, is unbiased and that all staff have fair access to opportunities for further development.

6.23 In addition, we offer coaching and mentoring programmes to foster both personal and professional growth by providing tailored guidance, support and feedback. Colleagues also have access to internal and external secondment opportunities, particularly placements within Parliamentary select committees.

Continuing professional development

6.24 We have a formal continuing professional development (CPD) policy in place with which all our staff have to comply. In November 2023, the ICAEW updated its requirements, and we revised our CPD policy and processes for training and development activity and monitoring in light of these. All colleagues are required to complete at least 40 hours of CPD each calendar year and, within this, comply with our mandatory training programme. While most of our colleagues complied with these requirements, we took additional steps during the year to remind others of the need to comply. As a result, our compliance levels increased to within our tolerance levels.¹⁴

¹⁴ See Figure 33, Appendix Three.

Retaining our talent

- 6.25** We work hard to ensure that the NAO is a great place for all our staff to work. We provide stimulating work in areas of public interest, state-of-the-art office spaces and IT, a competitive remuneration package, and opportunities to work with knowledgeable, talented and engaged colleagues, and to develop skills and be promoted.
- 6.26** During the year, we developed the support and benefits we offer to all colleagues and launched our People Deal in May 2025 to strengthen our approach to attracting and retaining good people. This sets out how we value, recognise and reward individuals' contributions and the NAO's ongoing commitment to creating a workplace where everyone can thrive and feel empowered to contribute to the NAO's ambitions. As part of the People Deal, the NAO will launch its first Wellbeing Strategy in 2025 to improve support to staff and build in more resilience.
- 6.27** The current year has seen a decrease in staff turnover for most grades below senior management, with a higher turnover than last year for both Senior Analysts and Analysts, but still below the target level of turnover for each grade.¹⁵
- 6.28** We act on the feedback our people give us, which helps to further improve their experiences and to better understand what would make our working environment even better. We seek this feedback through regular surveys of our people using Workday Peakon Employee Voice. During 2024-25, we facilitated three such surveys using a bank of 47 questions across 14 drivers, giving colleagues the opportunity to provide other written feedback.
- 6.29** From these questions, we are able to assess the overall levels of engagement to understand what motivates and supports our people. This helps us to measure the effectiveness of our interventions. The surveys showed an improvement in our overall people's engagement score to 7.0 (out of a possible 10) on average in 2024-25 compared with 6.8 in 2023-24 (and 6.5 in 2022-23).¹⁶ Our target level for engagement is 8.0.

¹⁵ See Figure 30, Appendix Three.

¹⁶ Figure 27 in Appendix Three provides a more detailed breakdown of our drivers and related scores.

Appendices

Appendix One

Value-for-money standards and quality approach

The National Audit Office's (NAO) standards for value-for-money (VFM) work (VFM standards) set out the expectations that all VFM studies, investigations and other wider assurance outputs must meet. Colleagues working on this type of work are expected to adhere to the standards, and this is considered as part of the internal quality assurance arrangements.

We ask all teams carrying out VFM work to complete and maintain a quality and risk plan to help us manage organisational and quality risks at each stage of our work. Audit teams actively manage and mitigate these risks and seek further guidance from the Comptroller and Auditor General (C&AG) at key approval stages as and when required. These risks are designed to ensure we are delivering high-quality work to our VFM standards (**Figure 20**). We provide further details of our approach in Part Three of this report.

Figure 20

National Audit Office value-for-money risk management approach, 2024

Stage of our work	Risks to be managed
Planning our outputs	Selection and timing of our work Scoping our work Capacity and skills
Meeting legal, professional and ethical obligations	Objectivity, independence and ethics Handling data
Collecting and presenting evidence	Accuracy and reliability of findings Documenting our audit trail Clarity and accessibility
Achieving impact	Working with audited bodies Adding value and securing impact
Learning and improving	Learning and knowledge sharing Reflecting external perspectives and practices

Source: National Audit Office

Internal quality reviews

We consider adherence to our standards and quality approach as part of our internal quality reviews. The reviews consider how the study team managed strategic and technical risks and the overall quality of the final report. Reports are rated using a four-point scale (**Figure 21**).

Figure 21

Internal reviews are rated on a four-point scale

Overall rating	Definition
Good/best practice	<p>BOTH All mandatory steps were followed to the expected standard, or appropriate agreement to take a different approach was documented in the quality and risk plan.¹</p> <p>AND Work has been completed to a high quality, in an appropriate format, and review findings give a high degree of confidence that the team has met standards across all the areas reviewed, with areas of best practice.</p>
Good with limited improvements needed	<p>BOTH All mandatory steps were broadly followed to the expected standard, or appropriate agreement to take a different approach was documented in the quality and risk plan.</p> <p>AND Work has been completed to a satisfactory quality. Review findings give confidence that the team met standards across all the areas reviewed, even if there are minor oversights, or reviewers could suggest improvements. Shortcomings do not put the National Audit Office (NAO) at any significant risk.</p>
Areas for improvement	<p>The team did not follow some mandatory steps, and the quality and risk plan did not explain where the team departed from guidance. However, reviewers and the moderation panel judge that the risk to the NAO, as a result, is low.</p> <p>AND/OR Review findings do not give full confidence in the quality of the team's adherence to standards. Shortcomings introduced low-level risks to quality.</p>
Significant areas for improvement	<p>The team departed from the mandatory steps without agreement, to the extent it introduced a significant degree of risk into the work.</p> <p>AND/OR Review findings do not give confidence in the quality of the team's adherence to standards across multiple areas. Shortcomings introduced significant risks to quality.</p>

Note

- ¹ The quality and risk plan summarises in one place a team's activity to manage risks to, and the quality of, a value-for-money or wider assurance project. It prompts teams at the start of a project to take mandatory steps (such as receiving challenge from the Comptroller and Auditor General at audit gateways), conduct a risk assessment, and make a quality assurance plan. It then records compliance with mandatory steps and the quality assurance plan, and tracks evolving risks and mitigations.

Source: National Audit Office

Appendix Two

External quality control framework

Financial audit

Each year, the Financial Reporting Council (FRC) is required under statute to review our Companies Act audit work and related National Audit Office- (NAO-) wide procedures. Given this, the NAO invites the FRC's Audit Quality Review team (AQR) to review, under an annual agreement between the Comptroller and Auditor General (C&AG) and the AQR, the rest of our financial audit portfolio.

This means that the full population of our financial audit work, with the exception of those we contract out to our framework partners, falls within the AQR's remit. This differs from the approach the AQR takes with the main audit firms, where it focuses on the most significant audits undertaken by these firms.

These reviews provide the NAO with feedback as to where we need to improve the quality of our audit work and strengthen our procedures to help support our audit teams. The work provides valuable insights as to the issues facing the wider auditing profession, of which we are part, and allows us the opportunity to benchmark our performance against the main audit firms.

During 2024-25, the AQR reviewed a sample of seven of our 2023-24 audits, five of which we undertake under the Companies Act and two from the rest of our audit portfolio. Part Four of this report (paragraphs 4.17 to 4.20) sets out the AQR's findings from its review of each of these audits, with each audit graded according to the level of improvements needed. The AQR also reviewed the progress we made during 2024 in improving our system of quality management (paragraph 3.34).

At the time of writing this report, the FRC's annual report of its findings to the C&AG is being finalised. We will publish the final version on our external website when this is available.

Value-for-money (VFM) reports and wider assurance

For more than two decades, we have used external specialists to review our VFM and wider assurance reports. In 2024, a sample of 20 reports were reviewed by independent experts from Grant Thornton, RAND Europe and Risk Solutions.

Our external reviewers provide a written review assessing how each report performs against the criteria, leading to an overall assessment. Reports are given a rating from a four-point scale ranging from 'good/best practice' to 'significant areas for improvement' (**Figure 22**).

Figure 22

External reviews are rated on a four-point scale

Overall rating	Definition
Good/best practice	<p>The report has been completed to a high standard and delivers against its stated objective.</p> <p>AND The report is relevant, accurate and accessible.</p> <p>AND The reviewer found at least one area of good/best practice.</p> <p>AND Only minor improvement(s) has (have) been identified which the reviewer has judged to not materially impact on the overall high standards achieved by the report.</p>
Good with limited improvements needed	<p>The report has been completed to a satisfactory standard and delivers against its stated objective.</p> <p>AND The report is relevant, accurate and accessible.</p> <p>AND Only minor improvement(s) has (have) been identified which the reviewer has judged to not materially impact on the satisfactory standard achieved by the report.</p>
Overall areas for improvement	<p>The report has not been completed to an acceptable standard and the reviewer is not fully confident that the stated objective has been met.</p> <p>OR The relevance, accuracy, or accessibility of some of the report is in doubt. This means the reviewer is not fully confident that the stated objective has been met.</p> <p>AND Improvements have been identified which the reviewer has judged would make a material difference to the quality of the report and its ability to meet its objectives.</p>
Significant areas for improvement	<p>The report has been completed to a poor standard and the reviewer is confident that the stated objective has not been met.</p> <p>AND The report has serious weaknesses in its efforts to demonstrate its relevance, accuracy or accessibility.</p> <p>AND Improvements have been identified which the reviewer has judged would make a material difference to the quality of the report and its ability to meet its objectives.</p> <p>OR Errors have been identified that represent a significant risk to the Comptroller and Auditor General's judgements and conclusions.</p>

Source: National Audit Office

This year, we have again requested a summary of the main points from across the reports reviewed, focusing on areas of particularly high quality and areas for improvement. Key findings are set out in **Figure 23**.

Figure 23

2024 findings from external reviews of National Audit Office value-for-money and wider assurance work

Review criteria	Review comments
Clarity of scope and purpose	Our reports give a clear explanation of the scope of our work. Some reports could contain more details on the rationale for undertaking the work and more context on the timing of the report.
Context of work	We clearly set out the structure of the audited bodies and how activities contribute to policy objectives. Reviewers would appreciate more context about operating systems by referencing our back catalogue of work.
Summary of key findings	Our summaries are generally fair and balanced and could serve well as standalone documents. Reviewers found instances where summaries could include additional findings from the main body of the report. The Key Facts sections of the summaries did not always make sense in isolation.
Synthesis of information	Reports are well structured and show how findings and conclusions are drawn from underlying evidence. Reviewers found instances where we could have stated our conclusions more forcefully by using a more “direct tone”, particularly in our value-for-money reports.
Recommendations	Recommendations are clear, specific and actionable and flow logically from our audit findings. Reviewers suggested additional recommendations we could make based on our audit findings.
Structure and presentation of the report	The structure and narrative thread of our reports are strong. Our reports are well drafted, and the majority include good signposting. However, reviewers found some reports, particularly complicated ones, which lacked “narrative force”, where findings should have been more directly presented.
Meeting the report purpose	Most of our reports fulfilled their stated scope, although the purpose of investigation reports was less well defined. Reviewers felt we could have taken our analysis further on occasion and, in some cases, could have done more to assess whether value for money had been achieved.
Quantitative analysis	Most reports contained a good amount of quantitative and financial data although reviewers suggested some opportunities to take our data analysis further and say more about data limitations.
Qualitative analysis	Most of our reports contain a good amount of qualitative data, often adding nuance to the quantitative data presented. Reviewers noted instances where they would like more information about how the qualitative data was gathered, analysed and synthesised into audit findings.

Figure 23 Continued

2024 findings from external reviews of National Audit Office value-for-money and wider assurance work

Review criteria	Review comments
Graphics	The graphics in our reports are broadly considered helpful, well-designed, and complementary to the text. Reviewers suggested it would be helpful to see some graphics in report summaries.
Methods	Methodologies are clearly set out in most reports; however, we could include further detail on methods and data limitations. In a minority of cases, reviewers were unclear about how some of the data cited had informed the findings in the report.

Source: National Audit Office summary of findings from Grant Thornton, RAND Europe and Risk Solutions



Appendix Three

Audit quality indicators 2024-25

Our quality ratings

Our quality ratings for both value-for-money work (VFM work) and financial audit work, for 2024-25 and the prior year, are shown in **Figure 24**. We have provided our detailed commentary on these ratings in Parts Four and Five of this report.

Figure 24

Quality ratings based on reviewing samples of our work

	Target (where applicable)	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
Financial audit¹				
External quality reviews – percentage of quality reviews which are rated 'limited improvements' or 'good'	100%	100%	43%	Increase of 57 percentage points
Number of external quality reviews in year	n/a	7	7	No change
Internal quality reviews – percentage of quality reviews which are rated 'limited improvements' or 'good'	100%	71%	65%	Increase of 6 percentage points
Number of internal quality reviews in year	n/a	24	23	Increase of 1
Value-for-money¹				
	Target (where applicable)	Current year 2024	Prior year 2023	Change between 2023 and 2024
External quality reviews – percentage of quality reviews meeting quality standards ²	100%	95%	100%	Decrease of 5 percentage points
Number of external quality reviews in year	n/a	20	20	No change
Internal quality reviews – percentage of quality reviews meeting quality standards ²	100%	83%	75%	Increase of 8 percentage points
Number of internal quality reviews in year	n/a	12	12	No change

Notes

- For financial audits, current year is based on a sample of 2023-24 financial audits and prior year is based on a sample of 2022-23 financial audits. For value-for-money reports, current year is based on a sample of reports published in the 2024 calendar year and prior year is based on a sample of reports published between 1 April 2023 and 31 December 2023.
- A report meets quality standards if it receives a review rating of either 'Good/best practice' or 'Good with limited improvements needed'.

Source: National Audit Office analysis of quality data

Feedback from our external stakeholders

From those we audit

We ask for feedback every year from the bodies we audit. In 2024-25, we received 172 survey responses (a response rate of 40%) and conducted interviews with senior officials from 27 audited bodies between September 2024 and January 2025. Most respondents described the overall relationship with the National Audit Office (NAO) as good (94%). Other findings are set out in **Figure 25**.

Figure 25

Feedback from those we audit

Description	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
Survey results: financial audit			
Percentage of finance directors and accounting officers in our audited bodies who rated the quality of their most recent financial audit as good	84%	89%	Decline of 5 percentage points
Percentage of finance directors and accounting officers who agreed that the audit recommendations we made were realistic	79%	72%	Improvement of 7 percentage points
Percentage who agreed the National Audit Office (NAO) team made fair and balanced judgements	86%	90%	Decline of 4 percentage points
Survey results: value-for-money (VFM) and wider assurance			
Percentage who felt the NAO VFM team understood the strategic priorities and wider context that their organisation operates in	69%	74%	Decline of 5 percentage points
Percentage of finance directors and accounting officers who agreed that VFM reports are of a good technical quality	71%	81%	Decline of 10 percentage points
Percentage of finance directors and accounting officers who agreed that the recommendations in the VFM report led to, or are likely to lead to, improvements in their organisation	76%	81%	Decline of 5 percentage points

Note

1 Changes in figures between years were not statistically significant. Caution should be applied to the VFM figures due to a low base sample.

Source: National Audit Office

From Members of Parliament (MPs)

Although the July 2024 general election saw 335 newly elected MPs, our latest survey of MPs (**Figure 26**) shows that our reputation remains strong. While the turnover of MPs has resulted in a marginal decline against some measures, 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 three quarters (74%) agreeing that we are above average for our role in influencing beneficial change (77% in 2023-24). Nine in ten (87%) say that we are effective at supporting Parliament to hold government to account and scrutinise public services (94% in 2023-24).

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), seven in ten (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).

Figure 26

Our survey of Members of Parliament on the quality of National Audit Office (NAO) insights and reports

Description	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
	Strongly agree/ Tend to agree (%)	Strongly agree/ Tend to agree (%)	Percentage change (%)
NAO products and services are of high quality	80	85	Decline of 5
The NAO influences beneficial change	74	77	Decline of 3
The NAO is effective at supporting Parliament to hold government to account and scrutinise public services	87	94	Decline of 7
NAO insights and reports cover areas and issues I am interested in	72	67	Improvement of 5
NAO insights and reports are clear, easy to read and understand	69	73	Decline of 4
NAO insights and reports are easy to find and access when I need them	63	66	Decline of 3

Notes

- 1 Research conducted November 2024 to January 2025.
- 2 106 Members of Parliament participated in research on the National Audit Office, representative of the House composition by political party.

Source: National Audit Office

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, which aims to restore our performance metrics to at least the levels recorded in the 2019–2024 Parliament.

Feedback from NAO colleagues

Our People Surveys during the year show a general increase across a number of our measures compared with last year (**Figure 27**).

Figure 27

National Audit Office People Survey

Description	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
	Average score (out of 10)	Average score (out of 10)	
Overall engagement	7.0	6.8	Improvement of 0.2
Peer relationships	7.9	7.6	Improvement of 0.3
Management support	7.7	7.9	Decline of 0.2
Goal setting	7.7	7.9	Decline of 0.2
Autonomy	7.5	7.6	Decline of 0.1
Environment	7.5	7.3	Improvement of 0.2
Freedom of opinion	7.4	7.5	Decline of 0.1
Strategy	7.2	6.9	Improvement of 0.3
Accomplishment	7.2	7.0	Improvement of 0.2
Meaningful work	7.2	7.0	Improvement of 0.2
Recognition	7.0	6.9	Improvement of 0.1
Growth	6.8	6.8	No change
Workload	6.5	6.3	Improvement of 0.2
Reward	6.3	6.0	Improvement of 0.3

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.
- 4 During 2024-25, we also introduced a financial audit quality survey to supplement our People Surveys. The outcomes from these are discussed in Part Four at paragraph 4.6.

Source: National Audit Office

Our overall people's engagement score improved to 7.0 (out of a possible 10) on average in 2024-25, up from 6.8 on average in 2023-24. Overall, in 2024-25, we saw improvement in nine out of 14 measures, with the biggest improvements in peer relationships, strategy and reward.

Our people

Involvement of our directors in our audit work

Our directors direct, supervise and review the quality of all our audit work in their roles as engagement directors and responsible individuals (for our Companies Act audit work). Their involvement in our in-house financial audits, and our senior management-to-staff ratio indicators, are shown in **Figure 28**. Our data show that the level of senior involvement is similar to the prior year.

Figure 28

Senior management involvement in in-house audits

Description	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
Senior management hours spent on financial audit as a proportion of total staff hours spent on in-house financial audits ¹	5.6% (2023-24 audit cycle)	5.3% (2022-23 audit cycle)	Increase of 0.3 percentage points
Ratio of staff to senior management²			
Total	12:1	12:1	No change
Financial audit	15:1	15:1	No change
Value-for-money and wider assurance	7:1	7:1	No change

Notes

- ¹ 'Senior management' includes all directors and executive directors involved in financial audit. Total staff hours spent on in-house financial audits also includes senior management hours. For the purposes of this calculation, it also includes colleagues in the audit manager grade who are acting as the engagement director of a specific financial audit.
- ² We have excluded senior management involvement in our contracted-out financial audits from the figures above.

Source: National Audit Office

Staff workload

Staff workload data for both the full year and for our financial audit peak period (May to July) is shown in **Figure 29**. We monitor staff workload on a monthly basis to ensure that individuals' wellbeing is considered, particularly during our busy periods. Staff workloads are within our expectations for 2024-25.

Figure 29

Staff workload

Description	Current year 2024-25	Prior year 2023-24	Change between 2023-24 and 2024-25
	(%)	(%)	Percentage points change
Hours worked as a percentage of contracted hours across the full year			
Financial audit			
Trainee	103.3	101.9	Increase of 1.4
Senior Auditor/Senior Audit Associate	105.1	104.9	Increase of 0.2
Audit Manager	108.1	104.3	Increase of 3.8
Senior Audit Manager	108.6	109.0	Decrease of 0.4
Senior management	112.3	112.9	Decrease of 0.6
Value-for-money and wider assurance			
Analyst	101.0	101.2	Decrease of 0.2
Senior Auditor/Senior Analyst	101.7	100.7	Increase of 1.0
Senior Audit Manager	102.2	100.6	Increase of 1.6
Senior management	104.6	104.8	Decrease of 0.2
Hours worked as a percentage of contracted hours during our financial audit peak period (May to July 2024, and May to July 2023)			
Financial audit			
Trainee	105.8	101.5	Increase of 4.3
Senior Auditor/Senior Audit Associate	109.8	109.9	Decrease of 0.1
Audit Manager	117.1	105.0	Increase of 12.1
Senior Audit Manager	117.6	117.8	Decrease of 0.2
Senior management	123.3	124.8	Decrease of 1.5

Notes

- 1 The 'senior management' category includes directors and executive directors.
- 2 The National Audit Office's key financial audit peak period falls between May to July each year as we deliver a significant percentage of our audit work before Parliament's summer recess. Our value-for-money and wider assurance work does not have a set peak period as we publish our reports throughout the year.
- 3 We have restated the prior year percentage of hours worked across the full year for senior management from 109.0% in last year's report to 112.9%.

Source: National Audit Office

Staff turnover

Turnover rates for our people were below target levels for all grades in 2024-25 (**Figure 30**).

Figure 30

Staff turnover

Description	Current year 2024-25		Prior year 2023-24	Change between 2023-24 and 2024-25
	Target turnover (%)	Actual turnover (%)	Actual turnover (%)	Percentage points change
Senior Management	10	5	3	Increase of 2
Senior Audit Manager	7	4	6	Decrease of 2
Audit Manager	7	5	4	Increase of 1
Senior Auditor and Senior Audit Associate	20	12	18	Decrease of 6
Senior Analyst	12	4	0	Increase of 4
Analyst	16	8	0	Increase of 8
Trainee	10	8	19	Decrease of 11

Notes

- 1 The 'senior management' category includes directors and executive directors. This target rate is for directors only.
- 2 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 Transparency Report was incorrectly recorded.

Source: National Audit Office analysis of Human Resources data

The diversity of our staff

Figure 31 presents the diversity of our staff and shows that there has been an improvement in some of the categories over the last year. Further information on diversity is in paragraphs 6.7 to 6.8 of this report.

Figure 31

Percentage of women, ethnic minority and disabled colleagues, and colleagues from lower socio-economic backgrounds by grade, March 2025¹

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

	Target (all NAO)	2024-25 (%)	2023-24 (%)	Change between 2023-24 and 2024-25
Women				
Senior management		49	45	Improvement of 4 percentage points
Middle management		52	51	Improvement of 1 percentage point
Other grades		49	49	No change
All NAO	50%	50	49	Improvement of 1 percentage point
Ethnic minority				
Senior management		12	11	Improvement of 1 percentage point
Middle management		18	14	Improvement of 4 percentage points
Other grades		33	31	Improvement of 2 percentage points
All NAO	35%	30	26	Improvement of 4 percentage points
Disabled				
Senior management		13	12	Improvement of 1 percentage point
Middle management		13	13	No change
Other grades		16	17	Decrease of 1 percentage point
All NAO	14%	15	15	No change
Lower socio-economic background (parental occupation)³				
Senior management		23	19	Improvement of 4 percentage points
Middle management		27	30	Decrease of 3 percentage points
Other grades		26	25	Improvement of 1 percentage point
All NAO	No target	26	25	Improvement of 1 percentage point

Notes

- 1 Data are at 31 March 2025 (2024-25 column) and 31 March 2024 (2023-24 column).
- 2 The 'senior management' category includes directors and executive directors; the 'middle management' category includes senior audit managers/band 1; 'other grades' includes 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; it also 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

Developing our people

Our mandatory training

Our indicators (**Figure 32**) cover the number of mandatory training courses, time needed to complete our mandatory training, and our rates of completion. In 2024, we updated our mandatory training policy to include a more robust monitoring and reporting process. These improvements enhanced our compliance levels, bringing our mandatory training completion rate closer to our 100% target.

Figure 32

Mandatory training

Description	Target (where applicable)	Current year 2024	Prior year 2023
Number of mandatory training courses			
Financial audit (FA)	n/a	26 courses	21 courses
Value-for-money (VFM) and wider assurance	n/a	10 courses	9 courses
Approximate time needed to complete annual mandatory training requirement			
Financial audit	n/a	26.3 hours	30.8 hours
Value-for-money and wider assurance	n/a	9.3 hours	8.9 hours
Mandatory training compliance rate	100%	92% FA	90% FA
		98% VFM	92% VFM

Source: National Audit Office

Continuing professional development (CPD)

As well as our mandatory training, individuals undertake other training and development opportunities according to their specific needs. Taking all this development together, all staff are required to complete at least 120 hours' CPD, spread over a three-year period, with a target of 40 hours each year (**Figure 33**). Colleagues met this objective during 2024.

Figure 33

Average continuing professional development hours per person

	Target	Current year 2024 (hours)	Prior year 2023 (hours)	Change between 2023 and 2024
Financial audit				
Senior Auditor/ Senior Audit Associate		72.9	60.7	Increase of 12.2 hours
Audit Manager	Target of 40 hours per annum, with 30 hours of verifiable evidence	52.0	43.5	Increase of 8.5 hours
Senior Audit Manager		52.7	51.3	Increase of 1.4 hours
Director		54.9	55.0	Decrease of 0.1 hours
Value-for-money				
Analyst		61.8	46.3	Increase of 15.5 hours
Senior Auditor/ Senior Analyst	Target of 40 hours per annum, with 30 hours of verifiable evidence	49.1	50.8	Decrease of 1.7 hours
Senior Audit Manager		57.2	54.4	Increase of 2.8 hours
Director		69.4	60.2	Increase of 9.2 hours

Note

1 These data are presented in calendar years for consistency with the timing of our annual performance development cycle.

Source: National Audit Office

Appendix Four

National Audit Office financial information

Our full financial information is contained in our Annual Report and Accounts 2024-25, which can be found on our website. **Figure 34** sets out our expenditure and income under six operating segments.

Figure 34

National Audit Office operating segments

2024-25									
	Financial Audit (£000)	Value-for- money and wider assurance work (£000)	Knowledge (£000)	Support to Parliament (£000)	International relations (£000)	Comptroller function (£000)	Voted (£000)	Non- voted (£000)	Total (£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)
Net expenditure	65,844	20,329	6,952	5,519	1,411	161	100,216	315	100,531
2023-24									
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)
Net expenditure	59,753	19,380	6,049	5,887	1,035	178	92,281	300	92,581

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 in our Annual Report and Accounts 2024-25.
- 2 Non-voted expenditure comprises the Comptroller and Auditor General's (C&AG'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.
- 4 The chief operating decision body of the NAO is considered to be the Executive Team, and details of its membership can be found in the Annual Report and Accounts 2024-25 available on our website. 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 International Financial Reporting Standard (IFRS) 8 (Operating Segments), no such analysis is presented here.

Source: National Audit Office

As would be expected from the nature of our work, the largest segment of expenditure relates to financial audit work, which represents 73% of the National Audit Office's (NAO's) gross expenditure. The remainder relates to other assurance work. The Comptroller and Auditor General's Exchequer function is reported as a separate segment.



Appendix Five

Transparency report disclosure requirements

Figure 35 sets out National Audit Office compliance with disclosures required by Article 13 of Regulation (EU) 537/2014 to produce an annual transparency report.

Figure 35

How the National Audit Office (NAO) complies with the disclosures required by Article 13 of Regulation (EU) No 537/2014

Provision of Regulation (EU) 537/2014	How the NAO complies with Regulation (EU) 537/2014
A description of the legal structure and ownership of the statutory auditor, if it is a firm.	The Comptroller and Auditor General (C&AG), Gareth Davies, leads the NAO and is an officer of the House of Commons, as established by statute. He and the staff of the NAO (1,028 full-time equivalent permanent staff, including temporary and seconded staff) are independent of the government. They are not civil servants and do not report to a minister.
Where the statutory auditor is a member of a network:	N/A. The NAO is a Supreme Audit Institution and not part of a network.
1 a description of the network and the legal and structural arrangements in the network;	
2 the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in a European Economic Area (EEA) State or in Gibraltar;	
3 for each of the members of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or a principal place of business;	
4 the total turnover of the members of the network identified under paragraph (ii) resulting from statutory audit work or equivalent work in the EEA States or Gibraltar.	
A description of the governance structure of the statutory auditor, if it is a firm.	The NAO's governance structure is set out in Part Two.
A description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning.	Part Three sets out a description of the NAO's system of quality management. We set out our plans to report on the effectiveness of our system of quality management in Part Three.
An indication of when the last quality assurance review referred to in Article 26 of Regulation (EU) 537/2014 was carried out.	Such reviews are carried out annually. See Parts Four and Five and Appendix One and Two for details of the latest review.
A list of public interest entities for which the statutory auditor carried out statutory audits during the preceding financial year.	In 2024-25, the NAO audited four public interest entities: Network Rail Infrastructure Finance PLC; CTRL Section 1 Finance PLC; LCR Finance PLC; and HM Treasury UK Sovereign SUKUK PLC.
A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted.	See Part Three for details of our independence procedures. Consideration of our independence practices is completed throughout the year.

Figure 35 Continued

How the National Audit Office (NAO) complies with the disclosures required by Article 13 of Regulation (EU) No 537/2014

Provision of Regulation (EU) 537/2014	How the NAO complies with Regulation (EU) 537/2014
A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006.	The NAO's policies and practices are designed to ensure that our staff continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level. See Part Six for further detail of these policies and practices.
Information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm.	For details of remuneration, see our National Audit Office, Annual Report and Accounts 2024-25. ¹
A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) of Regulation (EU) 537/2014.	Engagement Directors are rotated at least every five years, subject to some approved exceptions although for no longer than seven years. Also, we ensure that other team members are not involved in an engagement for more than seven years.
Where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:	<p>Most audits the NAO undertakes are funded by Parliament. In these cases, the organisations we audit must reflect the notional cost of our audit work as operating costs within their financial statements, although no cash payment is made to us.</p> <p>The NAO also reports on the collection of revenues raised on behalf of the government by the BBC, and HM Revenue & Customs, including on the administration of Scottish and Welsh income tax. The cost of this work is also financed through our Parliamentary funding.</p> <p>The NAO charges cash fees for certain other financial audit assignments. This relates to the work we undertake under the Companies Act 2006 (referred to as our role as 'statutory auditor'), other statutory requirements (audits we undertake under other statute), and agreement audits. We also receive other income, largely from tenants occupying our main building. Our cash fees for these audit assignments and other services are recorded as income in the NAO's Statement of Comprehensive Net Expenditure and disclosed on page 165 of the NAO's Annual Report and Accounts, which is available on our external website.</p> <p>The following sets out the cash fees we have accounted for during 2024-25.</p>
(i) revenues from the statutory audit of accounts of public-interest entities and members of groups of undertakings whose parent undertaking is a public-interest entity;	£0.09 million
(ii) revenues from the statutory audit of accounts of other entities;	£28.2 million

Figure 35 *Continued*

How the National Audit Office (NAO) complies with the disclosures required by Article 13 of Regulation (EU) No 537/2014

Provision of Regulation (EU) 537/2014	How the NAO complies with Regulation (EU) 537/2014
(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor; and	<p>£1.5 million. Of this:</p> <ul style="list-style-type: none"> • £0.8 million relates to other assurance engagements, including EU Agricultural Funds (£0.08 million) and the audit of interim financial statements and special purpose accounts of a small number of companies; • £0.4 million relates to rent and service charge income from two bodies we audit which rented office space in the NAO's London Headquarters building during 2024-25; and • £0.25 million relates to fees raised on behalf of, and passed onto, Audit Scotland, Audit Wales, and Northern Ireland Audit Office in connection with European Union (EU) Agricultural Funds work. Although our role in certifying agricultural funds from the European Union is coming to an end. <p>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 a variety of sources including from government bodies. In 2024-25, the NAO raised invoices of £414,916 to the Foreign, Commonwealth & Development Office and its contractors and subsidiaries (2023-24: £228,394).</p>
(iv) revenues from non-audit services to other entities	£2.45 million, of which £2 million relates to income from non-audited entities, including rent, service charges and miscellaneous income.

Note

1 National Audit Office, [Annual Report and Accounts 2024-25](#).

Source: National Audit Office



National Audit Office