



National Audit Office

Annual Report and Accounts

2025-26

June 2026
HC 260

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This report can be found on the National Audit Office website at www.nao.org.uk

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Annual Report and Accounts 2025-26

Report by the Comptroller and Auditor General
Ordered by the House of Commons to be printed on 29 June 2026

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

Gareth Davies, Comptroller and Auditor General
National Audit Office

22 June 2026

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 2025, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £2.6 billion.

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National Audit Office at a glance

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

We inform trust in government finances through our evidence-based audits and scrutinise public spending to get the best value for money for citizens.



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



We draw together the learning from our work and share our insights to help the government improve.



We have around

1,100 colleagues

based in our London and Newcastle offices, with some two-thirds qualified or training to be Chartered Accountants, and many other specialists in their field, for example data science, risk management and digital.

National Audit Office at a glance¹

We certified

413
accounts

in 2025-26.



61

We published 61 value-for-money reports, including investigations and lessons learned outputs in 2025-26.

Our net operating cost was

£110 million

in 2025-26.



We produced

six good
practice guides

for government bodies in 2025-26, covering topics such as cyber security and resilience, and information reporting to enable better financial management decisions.



57

We supported 57 sessions of Parliament's Committee of Public Accounts in 2025-26, usually twice a week when Parliament was sitting.



£24

In 2025, we recognised financial impacts from our past work equivalent to £24 for every £1 we spent in 2025-26.



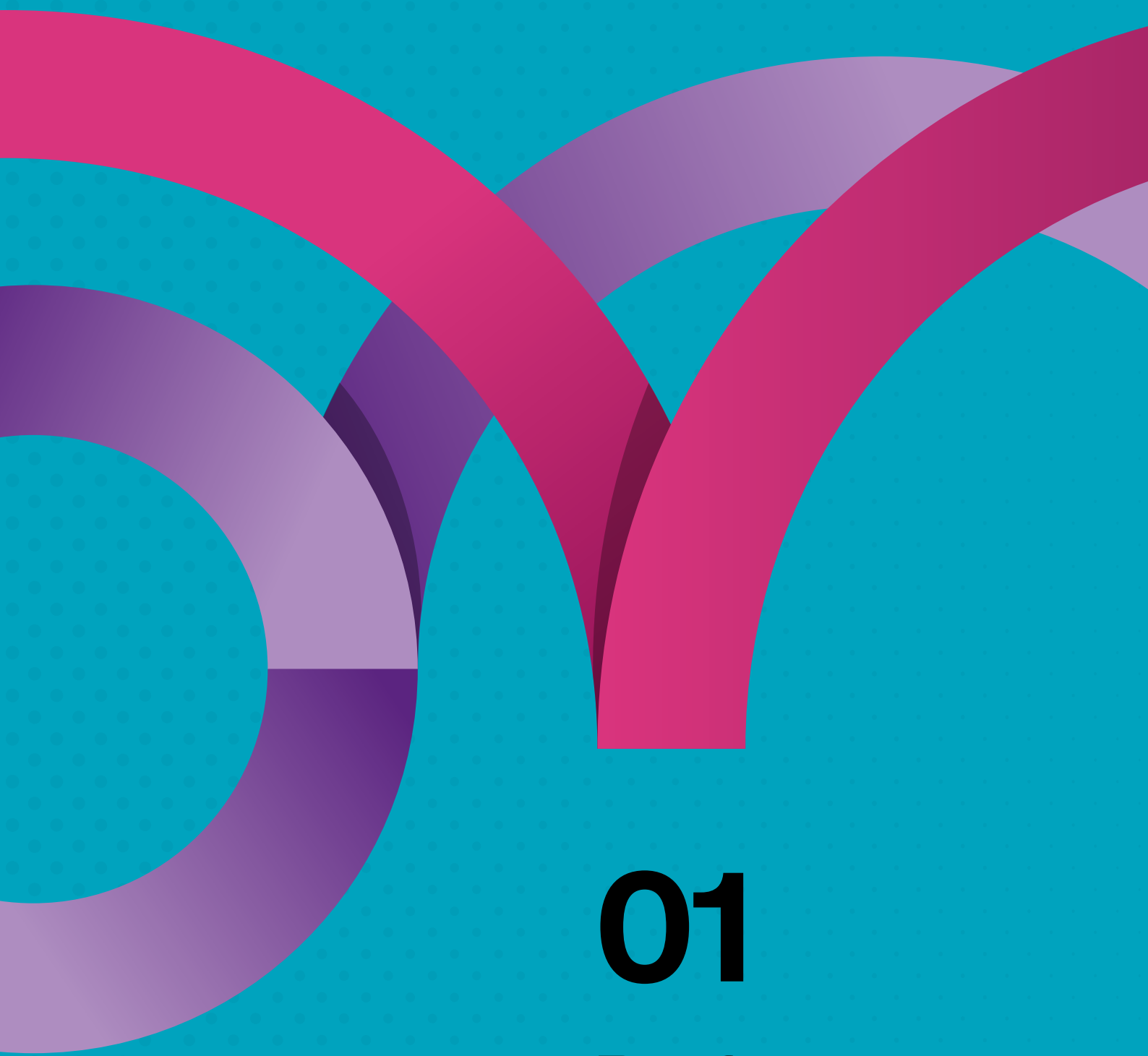
96%

The government accepted or partially accepted 96% of our recommendations in the six years to 31 March 2025.



¹ All our reports and insights are available at: <https://www.nao.org.uk/>. Net operating cost on this page excludes non-voted expenditure items, such as the Comptroller and Auditor General's and Chair's salaries, which are paid directly by Parliament and are outside the control of the NAO.





01

**Performance
report**

Performance overview

This overview describes who we are and what we do, and our values and strategy. It summarises our performance in 2025-26, beginning with statements from Dame Fiona Reynolds, Chair of the National Audit Office (NAO) Board, and from Gareth Davies, the Comptroller and Auditor General (C&AG) and Head of the NAO.

Chair's statement



Dame Fiona Reynolds

This is the last annual report I will be introducing as Chair of the NAO Board, since my six-year term expires in January 2027. My successor will soon be appointed, and I wish them well in this vital role.

I feel immense pride in all the NAO has achieved during my time as Chair. As a proudly independent adviser to Parliament, we play a unique role in public life and are hugely motivated by our ability to make a difference. We take enormous care to ensure that our work is of the highest quality, and in 2025 our audit quality review scores were again much improved compared with

those of recent years, a product of investment in new systems, scrupulous attention to detail, and strong leadership. Quality is the foundation of all that we do, and we want to go further to embed it consistently across all our work. But we have an even bigger goal, set out in our 2025–2030 strategy, to ensure that our audit work and value-for-money reports lead to improved financial management in government and more productive and resilient public services. I am delighted to report that we are seeing increasing evidence of this.

It is easy to find fault with the way the government spends and accounts for money. When trillions of pounds are at stake there will always be examples of errors, poor judgement and poor implementation. But we focus on identifying not only what has gone wrong, but what needs to be done to put it right, using our insights to inform and improve future plans. And as Gareth Davies reported in his annual speech to Parliament this year, the fruits of intense efforts by the government, often in direct response to our findings, are becoming clear. We have seen improvements in the way major projects are being planned and governed; there is a new strategy for managing existing and new infrastructure; improved processes for public procurement; and clear progress on reducing fraud and tax evasion. While there's always more to do, our work is reaping results.

This year we produced our first ever review bringing together insights from all our recent financial audits from across government. This drew out themes impacting both the timeliness and quality of reporting and broader financial management issues. It demonstrated the benefits of strong, effective audits, not only to comply with financial regulations but also to help government bodies plan better, allocate resources more efficiently and implement their objectives more effectively. This reinforces the concept of audit as a tool of insight and improvement.

We are also taking an increasingly innovative approach to cross-government studies. I particularly commend our report on the asylum system, where we analysed the complex and often inefficient relationships across different government departments (including local government) to demonstrate how the current system is failing too many people, wasting time and money, and could be made far more effective. I see a promising future for more work of this kind, focusing on longer term, multi-dimensional and apparently intractable challenges.

Our value for money work continues to shed light on both good and poor practice, and we provide a steady stream of material for Parliament's Committee of Public Accounts (PAC) and other select committees and Parliamentary audiences. We are proud of the level of public interest in our reports, and the fact that the public debate they create is also a positive force for improved performance in the government.

As I come to the end of my term, I am pleased that our external auditor, Crowe U.K. LLP, in their independent review of our governance, confirmed that the NAO has strong and effective governance, with performance consistently above that seen in comparable organisations. Crowe highlighted the positive tone set by the Board and the Executive, the high-quality debate and challenge in our meetings, and the shared commitment to continually strengthening how we oversee and deliver our strategy.

I know the NAO will continue to produce incredible work, and achieve more and more influence as time goes on, and I am proud to have been part of the process of sharpening our mission. But of course, I have been far from alone. The NAO is nothing without our people, and I speak on behalf of all the independent non-executive directors (NEDs) when I thank Gareth Davies and his talented and committed Executive Team for their dedication, insights and leadership; and all the staff who work so well together.

My special thanks go to the NEDs, who bring a wide range of experience and expertise and without whom our discussions would be infinitely poorer. Two of those NEDs, Gaenor Bagley and Sir Martin Donnelly, leave the Board at the same time as I do and will be sorely missed. I thank them warmly, along with Alistair Conner and Hetan Shah, who remain and will provide continuity.

I wish the NAO, my successor and all our people the very best for the future.

Dame Fiona Reynolds, Chair

Comptroller and Auditor General's statement



Gareth Davies

This annual report sets out the National Audit Office's (NAO's) performance in the first year of our new five-year strategy, entitled *Trust, Value, Impact*. It reflects a stronger focus on the outcomes of our work, and I'm pleased to report excellent progress on our key strategic priorities.

We were again able to recognise a substantial positive financial impact from our work, amounting to £2.6 billion or £24 for every £1 of our net expenditure in 2025-26, exceeding our increased target of £15 for every pound spent. Our work also influenced significant developments in the governance

and control of major government projects and the setting of detailed efficiency targets across all departments. We set out the evidence of impact against our two strategic outcome objectives in the Performance report.

Our work in support of the Committee of Public Accounts (PAC) informed a full programme of impactful inquiries. As well as helping the Committee hold officials to account for the value for money of individual spending programmes, our work supported scrutiny of vital improvement themes across government, including digital transformation, effective and proportionate regulation, and financial sustainability.

Our excellent audit quality results continued this year, providing welcome evidence that the recent investments in our system of quality management, methodology, tools and training are becoming embedded. We worked with government finance teams to bring forward the publication dates of more audited accounts so that 64% were completed before the 2025 summer Parliamentary recess (55% in 2024).

I used my annual speech in Parliament in February 2026 to focus on the need for a step change in the quality of financial management in public services to help meet increasing demand (for example, in defence and healthcare) while minimising the need for higher taxes or debt. I made the case that the benefits of new technology, including artificial intelligence (AI), will not be fully realised without better financial management information, an understanding of the changing cost structures of modern services, and high-level financial skills.

Our strategy also commits the NAO to supporting innovation in public service delivery, recognising that this requires well-managed risk-taking. Several of our reports focused directly on this theme, including the *Department for Science, Innovation & Technology's investment in research infrastructure* and *Using data analytics to tackle fraud and error*. I was also pleased to co-sign a letter in March 2026 with the Chancellor of the Exchequer and the Chair of PAC encouraging ministers and senior civil servants to seek better results through greater innovation in their commercial procurements and offering practical insights from our work to help them do this.

Our work to strengthen the NAO as a high-performing organisation continued in the year. On our people agenda, we focused on leadership development and performance management, with encouraging results in team and individual performance. On our digital agenda, we are rolling out AI tools to all staff following successful pilots and have strengthened further our cyber security arrangements. We are delivering productivity improvements through new digital audit tools, active management of our commercial contracts and greater rental income from our London building, all of which reduce our costs to Parliament.

As this is the last annual report before the end of Dame Fiona's term as Chair of the NAO Board, I would like to record my deep thanks and appreciation for the enormous contribution she has made to the NAO's progress over the last six years. We have benefited hugely from her wise advice, encouragement to maximise our impact in the public interest and genuine interest in our people. An announcement on her successor will follow shortly and I look forward to welcoming them when they take up their role in January 2027.

We will also miss the excellent contributions of Gaenor Bagley and Sir Martin Donnelly, who also reach the end of their terms as non-executive Board members at the end of this calendar year. With their exceptional experience and insights from the worlds of audit and government, respectively, they have been highly effective members of the Board. Thank you to them and our continuing non-executives, Alistair Conner and Hetan Shah.

I close by thanking my Executive Team colleagues, directors and all NAO staff for their commitment, professionalism and creativity, which has done so much to bring our strategy to life and generate impact on behalf of Parliament, taxpayers and public service users.

Gareth Davies, Comptroller and Auditor General



About the National Audit Office

Who we are and what we do

- 1.1** The National Audit Office (NAO) is the UK's independent public spending watchdog. Our work supports Parliament in holding the government to account and helps improve public services. The Public Accounts Commission (TPAC), a statutory committee of members of Parliament (MPs), oversees our work. We are independent of the bodies we audit in government and the civil service (**Figure 1**).
- 1.2** The Comptroller and Auditor General (C&AG), Gareth Davies, leads the NAO. He is an Officer of the House of Commons with statutory authority to:

 - audit and report on the financial accounts of all government departments and many other public bodies; and
 - examine and report on the value for money of how public money has been spent.
- 1.3** We certify the accounts of all central government departments and entities, as well as certain government-owned companies, and organisations such as the BBC, providing an independent audit opinion on more than 400 accounts every year. We conduct our financial audit in accordance with international auditing standards, providing assurance, through the C&AG's opinion, to Parliament and other stakeholders that financial statements are *true and fair* and, for most of our audits, that income and expenditure are in accordance with Parliament's intentions, known as the *regularity* opinion.
- 1.4** We publish around 60 reports a year on the value for money of public spending to enable accountability and scrutiny, and we share learning and good practice across government through our specialist Insights teams. We support the work of the House of Commons' Committee of Public Accounts (PAC), which uses our reports to hold evidence sessions focused on public spending and scrutinising the implementation of government policy.

Figure 1

National Audit Office (NAO): our governance and key relationships

We are independent of government and the civil service and are led by the Comptroller and Auditor General (C&AG)

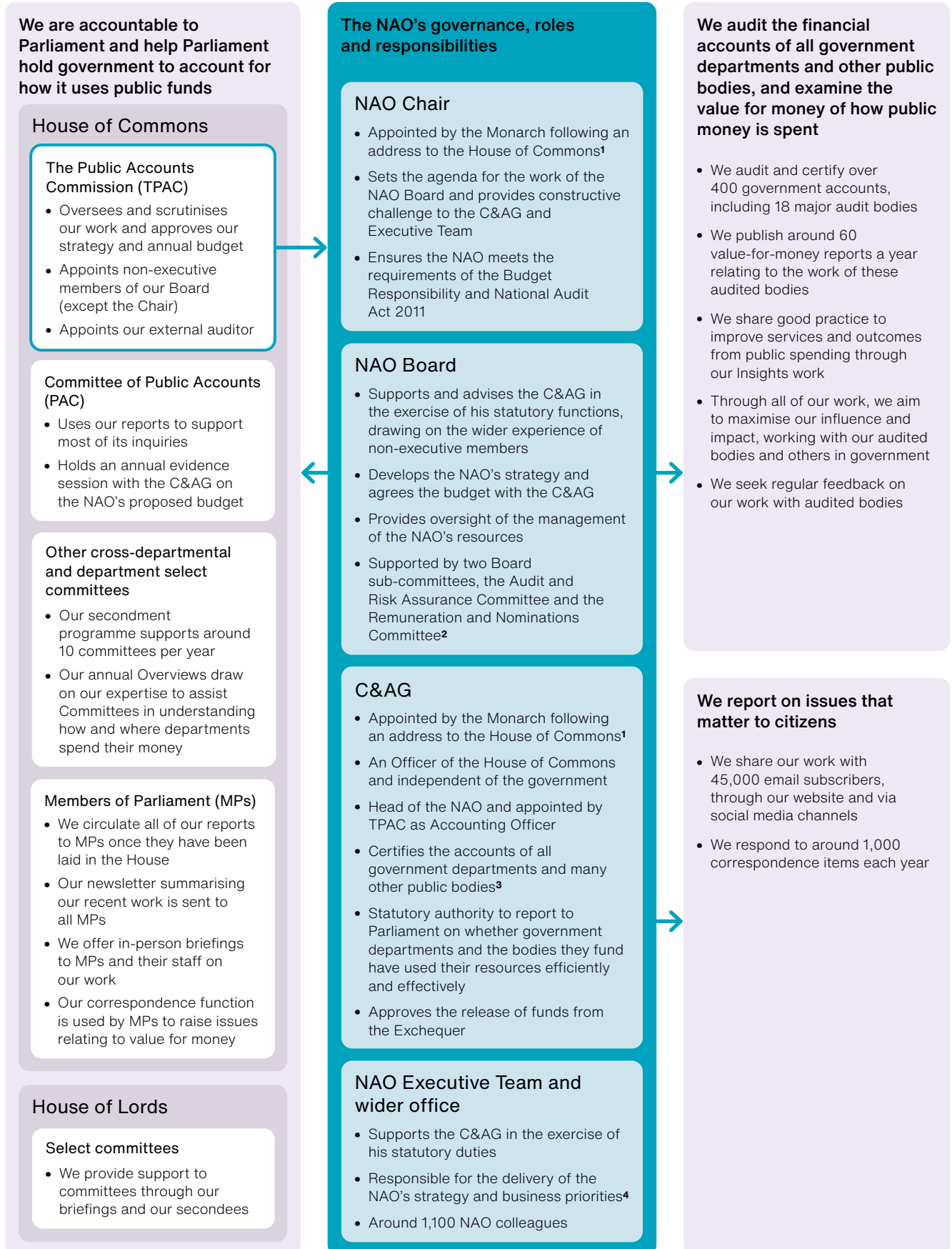


Figure 1 *continued*

Our governance and key relationships

Notes

- 1 The Prime Minister, with the agreement of the Chair of the Committee of Public Accounts, moves the motion for the respective addresses.
- 2 The Audit and Risk Assurance Committee supports the Board by reviewing the NAO's risk management and internal control framework, governance arrangements, and the quality and reliability of financial reporting. The Remuneration and Nominations Committee advises the Board on the framework for executive director remuneration and on succession planning and advises on strategic people-related issues. The NAO's Director of Internal Audit and Assurance provides assurance to the Audit and Risk Assurance Committee as well as to the C&AG.
- 3 An Audit Quality Board advises the C&AG on the effectiveness of the controls that support financial audit and value-for-money quality.
- 4 The Executive Team is supported by sub-committees such as the Health and Safety Committee, which may also provide information to the Board.
- 5 While the NAO is funded principally by Parliament, statute permits us to charge fees for certain audits in accordance with a Scheme of Fees approved by TPAC. We charge a fee for bodies operating in a commercial environment or at arm's-length from the government, for example trading funds and non-departmental public bodies. We also charge fees in accordance with the terms of audits conducted by agreement, for example the audit of international bodies.
- 6 See the Corporate governance report in the Accountability report for more information.

Source: National Audit Office

Our strategy 2025–2030

- 1.5 The UK faces historically high levels of debt, with many public services under significant strain. Our strategy is to improve financial management and reporting in government and to contribute to more productive and resilient public services, by prioritising work on our quality and influence and our core capabilities. Addressing these areas will support greater transparency and accountability, will inform trust, and will enable better long-term value for money (**Figure 2**).

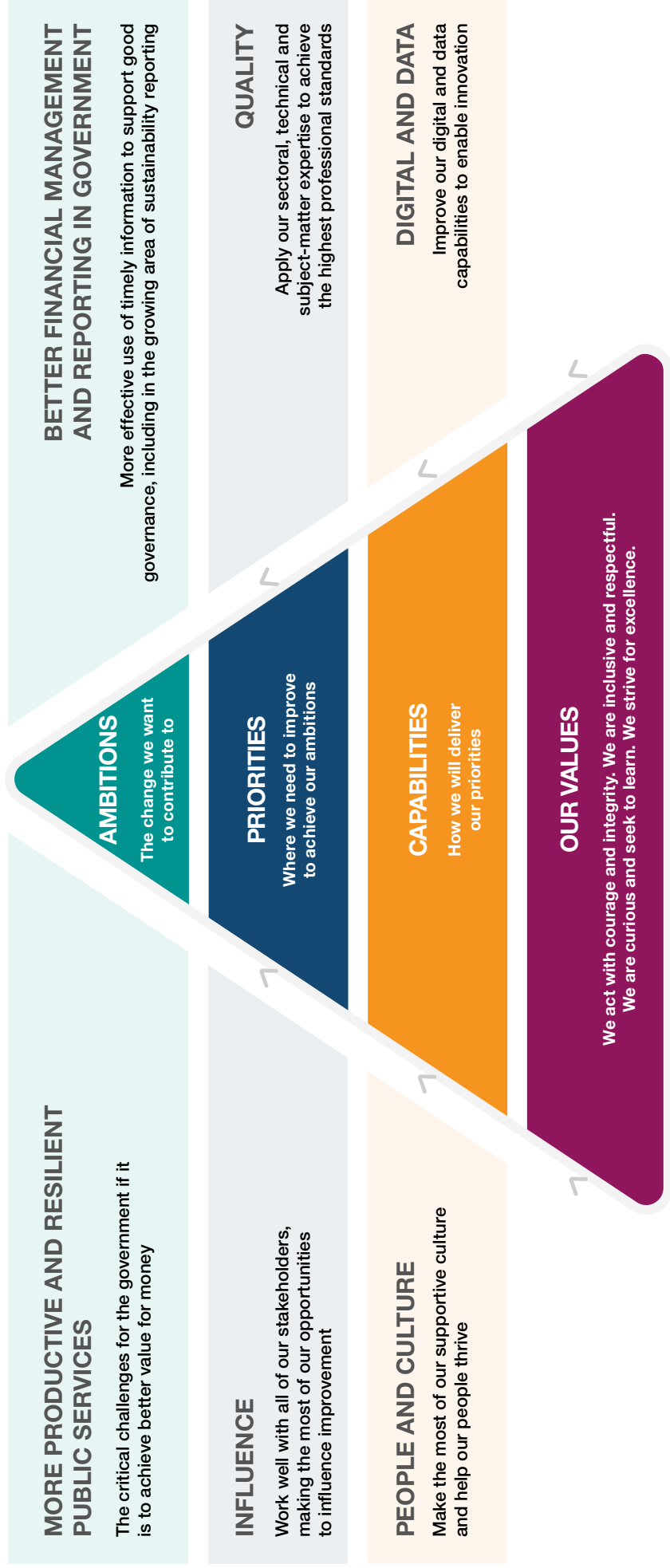


Figure 2
National Audit Office (NAO) strategy, 2025-2030

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

NAO STRATEGY 2025-2030 | TRUST • VALUE • IMPACT

From 2025 to 2030, we will increase our impact on the productivity and resilience of public services and the quality of financial management and reporting in government.



Source: National Audit Office strategy 2025-2030 available at: <https://www.nao.org.uk/corporate-information/nao-strategy-2025-2030/>

Our objectives for 2025-26

1.6 This was the first year of our five-year strategy. We have developed a new framework for assessing our progress, focusing on the impact we are having on the government and its services. We set specific objectives for 2025-26 to:

- increase our influence, working with government representatives and with Parliament to maximise the use of our findings, insights and recommendations;
- build our capacity to meet the higher demand for our work and reduce our reliance on contracting out to audit firms;
- make further improvements to ensure consistently high-quality audit work in the context of new and enhanced standards for financial reporting and audit;
- support more timely financial reporting, aiming for 70% of audited accounts to be published before the summer 2025 Parliamentary recess;
- deliver a relevant and timely programme of value-for-money (VFM) and wider assurance work, focusing on helping the government to innovate, exercise better financial management and deliver more productive and resilient public services;
- realise productivity and quality improvements from our new audit platform and associated digital and data-driven approaches; and
- support the sustainable high performance of all our staff and enhance the productivity and resilience of our support operations and London office.²



² For more information, see *National Audit Office Estimate memorandum for 2025-26* to the Public Accounts Commission. Available at: <https://www.nao.org.uk/wp-content/uploads/2025/04/nao-estimate-memorandum-for-2025-26.pdf>

Summarising our performance

1.7 Our performance in 2025-26 across the three areas of our strategy is summarised below. We met, or are on track to meet, our targets for most (21 out of 27) performance indicators. The Performance analysis section describes what we are doing to improve where indicators are below target and discusses the principal risks to our performance.

National Audit Office (NAO) performance summary

Area of our 2025-2030 strategy	Performance review
Impact ambitions	To assess progress towards our outcome-focused strategic ambitions, we include two impact reports, drawing on a range of evidence.



**Ambition 1:
Maximise our
impact on financial
management
and reporting in
government**

See pages [24](#) to [28](#) for a fuller account of our impact

We made good progress in 2025-26.

- We improved the valuation of government assets and liabilities with £21.2 billion of adjustments following our financial audit work with 17 major government departments, and £11.3 billion of adjustments also made to records of income and expenditure.
- We published a new Financial Audit Insights report, bringing together findings from all our audits to inform financial management and reporting improvements across government.
- We made 86 recommendations to the government on financial management and reporting in our value-for-money (VFM) reports.¹
- We supported, from our independent perspective, the government’s work to achieve more meaningful and proportionate accountability and compliance for small public bodies.
- We published the fifth in our series of good practice guides for financial management in government, on reporting for decision-making.
- We helped government bodies to strengthen their resource allocation decisions, improve data, and develop more robust governance, including the examples below.
 - Responding to our audit findings and recommendations over several years, the Environment Agency undertook major reforms to its asset valuation processes. This improved its information on flood defences, enabling better advice to the public on flood risk and more informed discussion with HM Treasury (HMT) on spending, and meant that we were able to remove the qualification on its accounts for 2024-25.
 - Our 2025 report on mega projects prompted HMT, working with its independently chaired Office for Value for Money (OVFM), to strengthen governance oversight and approvals processes for these specific interventions.
 - Following our 2025 examination of its approach to risk taking in funding decisions, UK Research and Innovation is developing clearer guidance on risk appetite to support innovation and is providing extra training to its decision-makers.

Area of our 2025-2030 strategy

Performance review

Impact ambitions

To assess progress towards our outcome-focused strategic ambitions, we include two impact reports, drawing on a range of evidence.



Ambition 2: Maximise our impact on the productivity and resilience of public services

See pages 29 to 34 for a fuller account of our impact

We made good progress in 2025-26.

- We recognised a further £2.6 billion of financial impacts in 2025 from our work over several years, about £24 for every pound of our net expenditure, exceeding our target of at least £15 for every £1.
- We made 132 productivity-related and 97 resilience-related recommendations in our VFM reports.¹
- We published lessons learned and good practice outputs for government bodies on improving operational capability and cyber security and resilience.
- We produced an innovative end-to-end analysis of the asylum system in the UK, supplemented with an interactive data visualisation to inform a whole-system understanding of what is required to achieve value for money in this complex area.
- We achieved significant early impact from our work, including from the following.
 - Our 2024 lessons learned report on developing a planning and spending framework that enables long-term value for money was used extensively by the OVFM to inform its spending review work in pursuit of realistic and credible departmental efficiency plans which, if delivered, will amount to almost £14 billion in annual efficiency gains by 2028-29.
 - Our 2025 cyber resilience report informed the UK Government's January 2026 Cyber Action Plan, which commits to biannual reporting on its progress in implementing our recommendations.
 - Our 2025 findings and recommendations on maintaining public service facilities informed the government's new 10-year infrastructure strategy, which uses our property maintenance backlog calculations and commits to long-term maintenance budgets for departments to address rising backlogs.



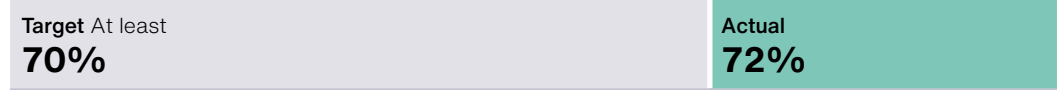
Area of our 2025-2030 strategy	Performance review
Improvement priorities	To evaluate progress in achieving our improvement priorities we use the key performance indicators (KPIs) and targets below.



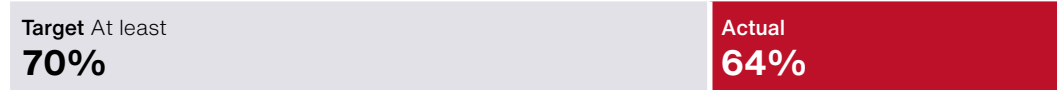
**Priority 1:
Further improve
our influence**

See pages **35 to 38** for a more detailed review

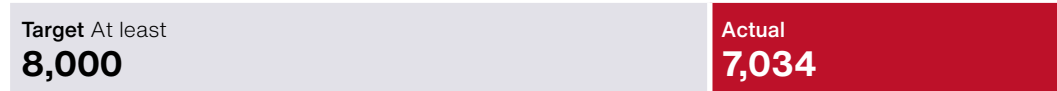
KPI: Proportion of senior officials in the bodies we audit who agree that the NAO helps bring about beneficial change (annual survey)²



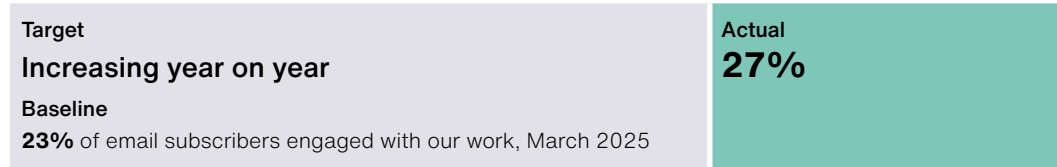
KPI: Proportion of members of Parliament (MPs) who agree that the NAO engages effectively with them to influence beneficial change (annual survey)



KPI: Number of NAO mentions or appearances on national broadcast outlets, key regional media and podcasts



KPI: Proportion of NAO email subscribers who engage with our work (opened an email from us within the last 30 days)



KEY to colour shading **Target performance:** ■ Achieved ■ Not achieved

Area of our 2025-2030 strategy

Performance review

Improvement priorities

To evaluate progress in achieving our improvement priorities we use the key performance indicators (KPIs) and targets below.



Priority 2: Further improve our quality

See pages 39 to 40 for a more detailed review

KPI: Proportion of senior officials in the bodies we audit who agree that the NAO's (a) financial audit work and (b) value-for-money (VFM) work is of good quality (annual survey)

Target At least 80%	Actual Financial audit 91%	Actual VFM 72%
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KPI: Proportion of MPs who agree that the NAO's (a) financial audit work and (b) VFM work is of good quality (annual survey)

Target At least 80%	Actual Financial audit 88%	Actual VFM 79%
-----------------------------------	--	------------------------------

KPI: Proportion of financial audits that are certified before the summer Parliamentary recess

Target At least 70%	Actual 64% (summer 2025)
-----------------------------------	--

KPI: Number of VFM reports published each year

Target At least 60 reports	Actual 61
--	-------------------------

KPI: Average score in NAO People Survey for colleagues who agree that they are proud of the quality of (a) our financial audit and (b) our VFM work

Target At least 7.0 (out of 10)	Actual Financial audit 7.8	Actual VFM 7.9
---	--	------------------------------

KPI: Proportion of financial audits and VFM reports meeting external inspection and review required standards³

Target At least 70% (but with aspiration to achieve 100%)	Actual Financial audit 86% (2024-25 audits)	Actual VFM 95% (2025 audits)
---	---	--

KPI: Proportion of financial audits and VFM reports meeting internal review required standards

Target At least 70% (but with aspiration to achieve 100%)	Actual Financial audit 68% (2024-25 audits)	Actual VFM 83% (2025 audits)
---	---	--

KEY to colour shading

Target performance: Achieved Not achieved

Area of our 2025–2030 strategy

Performance review

Core capabilities

To evaluate progress in achieving our core capabilities we use the key performance indicators (KPIs) and targets below.



Capability 1: People and culture

See pages [41](#) to [43](#) for a more detailed review

KPI: Average overall engagement score for colleagues completing NAO People Survey

Target At least 7.5 (out of 10)	Actual 7.5
--	-----------------------------

KPI: Average number of sickness absence days per NAO full-time equivalent colleague

Target Reducing year on year Baseline 7.0 working days (2024-25)	Actual 5.9 working days (compared to 7.0 days in 2024-25)
---	--

KPI: Proportion of NAO colleagues who completed at least 40 hours per year of continuing professional development (CPD)⁴

Target At least 95%	Actual 98.5%
--------------------------------------	-------------------------------

KPI: Proportion of senior officials in the bodies we audit who agree that NAO colleagues demonstrate high standards of professionalism

Target At least 70%	Actual 93%
--------------------------------------	-----------------------------

KPI: Narrowing pay gaps for gender, ethnicity, disability and people from lower socio-economic backgrounds

Target Eliminate gender pay gap by 2027 ⁵	Actual 1.3% (reduction of 0.4 percentage points on prior year)
--	---

Target Eliminate disability pay gap by 2030	Actual -2.2% (reduction of 3.7 percentage points on prior year)
---	--

Target Eliminate social mobility pay gap by 2030	Actual 2.7% (not previously measured)
--	--


Target Reduce ethnicity pay gap to no more than 7% by 2030	Actual 11.7% (reduction of 2.9 percentage points on prior year)
--	--

KEY to colour shading

Target performance: ■ Achieved ■ Not achieved

Area of our 2025–2030 strategy **Performance review**

Core capabilities To evaluate progress in achieving our core capabilities we use the key performance indicators (KPIs) and targets below.

 <p>Capability 2: Digital and data</p> <p>See page 44 for a more detailed review</p>	<p>KPI: Proportion of major audited bodies for whom the NAO has developed, and is applying, technology and data plans to support financial audits⁶</p> <p>Target At least 50% of all major bodies by March 2026</p> <p>Actual 67%</p>
	<p>KPI: Proportion of VFM studies deploying advanced data analytical approaches</p> <p>Target At least 25% of all VFM studies</p> <p>Actual 26%</p>
	<p>KPI: Average score in NAO People Survey for colleagues who agree that they are confident in using technology to apply digital approaches to their work</p> <p>Target At least 7.5 (out of 10)</p> <p>Actual 7.6</p>

KEY to colour shading **Target performance:** ■ Achieved ■ Not achieved

Notes

- 1 Data on the government’s acceptance and implementation of all our recommendations are provided in paragraph 1.18 below.
- 2 In 2025-26, we refreshed our approach to surveying audited bodies to capture richer insights into progress in delivering our strategy, and more granular feedback on the delivery, quality and value for money of our audits. We also made a small number of changes to our survey of MPs, again to give further insight into the delivery of our 2025–2030 strategy.
- 3 Our VFM work is subject to quality review based on the calendar year in which the work was completed.
- 4 The 40-hour CPD requirement is pro-rated for colleagues who are long-term absent or have other valid reasons.
- 5 For pay gaps, we define ‘elimination’ as within the range –2% to +2%.
- 6 We have 18 major audit bodies, including 17 major government bodies and the BBC.
- 7 This is the first year of our new performance framework. In future years, we will record prior year performance as well to indicate the performance trend since the start of our 2025–2030 strategy.
- 8 Discussion of principal risks to our performance is contained in the Performance analysis section in the part on ‘Our risk appetite and principal risks’.

Source: National Audit Office



Performance analysis

The performance analysis section describes our work in 2025-26, the first year of our 2025–2030 strategy.



Maximising our impact

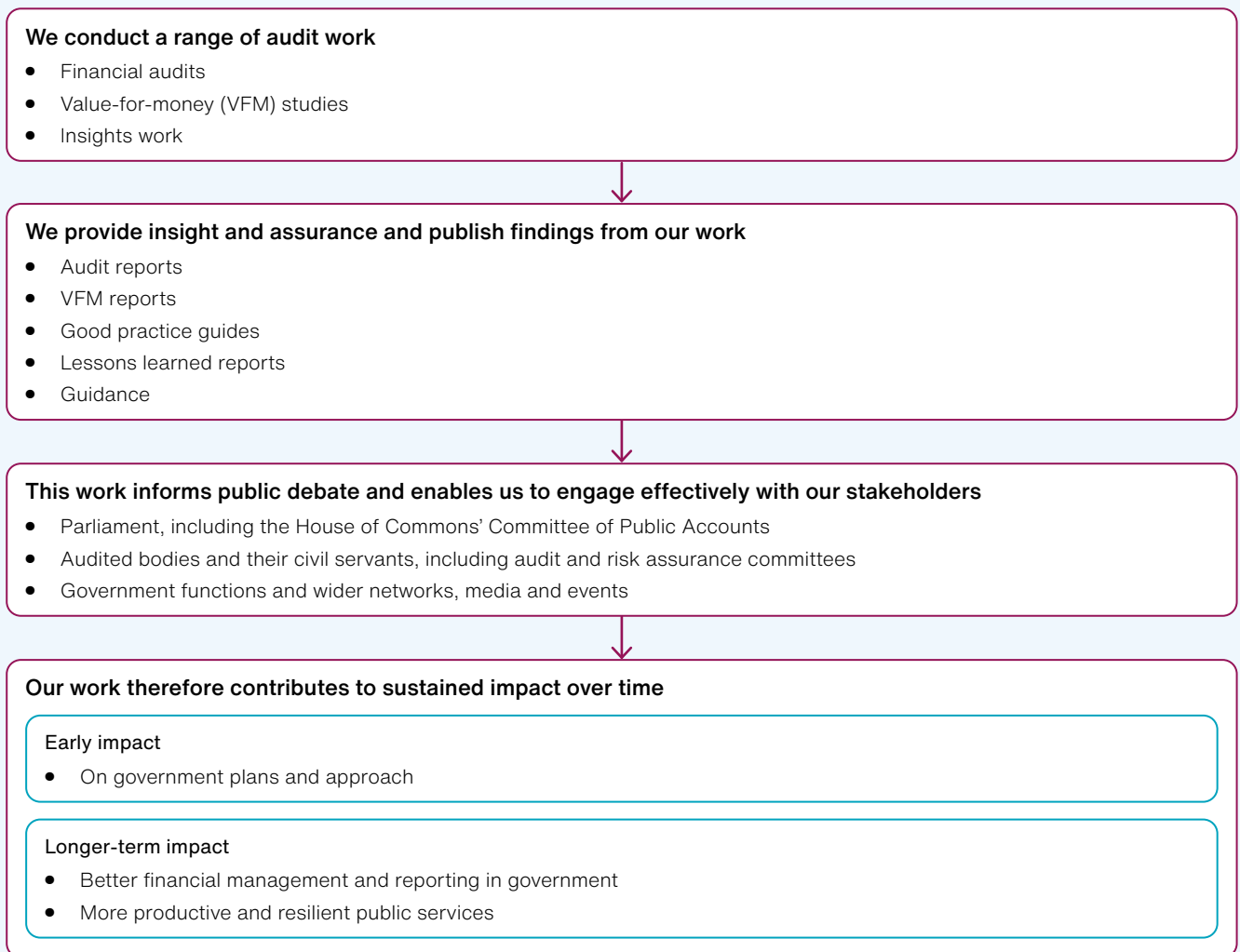
Our strategy is to contribute to better financial management and reporting in government and to support more productive and resilient public services. In this section, we assess our progress in 2025-26 in delivering on each of these ambitions.

1.8 **Figure 3** below sets out how we achieve impact.

Figure 3

How we achieve impact

By producing and sharing high-quality and timely insights, we aim to maximise our influence and impact



Source: National Audit Office

Better financial management and reporting in government

Key facts

c. £1.1 trillion

spent by the government each year³

£21.2 billion

adjustments made to the valuation of assets and liabilities during our audits of 2024-25 accounts

£55–81 billion

The National Audit Office's (NAO's) estimate of overall fraud and error in 2023-24, before recoveries

413 audit certifications issued in 2025-26

23 number of **qualified opinions** issued by the Comptroller and Auditor General (C&AG) in 2025-26

86 number of **financial management and reporting recommendations made** in NAO value-for-money (VFM) reports in 2025-26

75% percentage of **senior officials in the bodies we audit** who agree that the NAO has influenced better financial management in their organisation

88% percentage of **members of Parliament (MPs)** who agree that the NAO's work leads to better financial management and reporting in government

Assessing the current state of financial management and reporting

1.9 Effective financial management across strategic planning and budgeting, resource allocation, and monitoring, forecasting and reporting, enables government organisations to make more timely and well-informed decisions, unlock efficiencies, drive better ways of working, and improve financial resilience. It is critical to helping government departments set the right priorities and to providing good value for money for the taxpayer. Effective financial management also enables accurate and timely government reporting to Parliament and the public.

³ HM Treasury, *Whole of Government Accounts 2023-24*, July 2025. Available at: <https://www.gov.uk/government/publications/whole-of-government-accounts-2023-24>

- 1.10** Our recent work shows significant variation in the quality of financial management across government, with the C&AG issuing 23 qualified audit opinions in 2025-26. The NAO's Financial and Risk Management Insights team, one of seven specialist teams across the NAO, has estimated that, before recoveries, the government lost between £55 billion and £81 billion to fraud and error in 2023-24, with most relating to tax or benefits. Much of this fraud and error remains undetected or uncertain, meaning that the government does not have a complete picture of where its risks lie or how to prioritise counter fraud activity for greatest impact.⁴
- 1.11** The government's 2025 Spending Review set ambitious targets of at least 5% savings and efficiencies in day-to-day spending by departments, with further savings and efficiencies committed to in the 2025 Budget.⁵ Achieving these targets will require general improvements in financial management, while strengthened accounting standards in recent years add to the demands on those charged with financial reporting. The Government Finance Function's 2030 strategy aims to address these issues, highlighting the function's important role in promoting better use of data, building its skills and capability, and embracing digital innovation to help improve government decision-making, strengthen value for money and increase public trust.

What we are doing to improve financial management and reporting in government

- 1.12** Promoting better financial management and reporting is core to what we do. Supported by dedicated centres of expertise, our financial audit teams routinely challenge government bodies to improve how they manage and report on their use of resources. Our certification of 413 government accounts this year was the culmination of audit work which saw £21.2 billion of adjustments to the 2024-25 assets and liabilities of 17 major government departments, and £11.3 billion of adjustments to the 2024-25 income and expenditure records of these departments.
- 1.13** In 2025-26, we made it easier for people to find our audit certificates for major departmental accounts by making them available on our website, and we published a new **Insights report** on our financial audit work bringing together the most important financial management themes from across our audits. We are supporting the government to improve its understanding of the extent of fraud and error and to set out estimates in accounts where relevant. We are also working with audited bodies, HM Treasury (HMT) and the Government Finance Function to support more timely accounts and audit and have set a target for 70% of accounts to be certified before the summer 2026 Parliamentary recess.⁶ We have recommended a more proportionate approach to central controls and reporting requirements for smaller government bodies and are liaising with HMT on how this might be achieved.⁷ These further steps help to increase the transparency and accessibility of public spending and support improvements in the government's financial management and reporting.

4 See our report at: <https://www.nao.org.uk/overviews/the-impact-of-fraud-and-error-on-public-funds-2023-24/>

5 HM Treasury *Departmental Efficiency Plans*, June 2025. Available at: <https://www.gov.uk/government/publications/departmental-efficiency-delivery-plans/departmental-efficiency-plans>. HM Treasury *Spending Review 2025*, June 2025. Available at: <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html>. HM Treasury, *Budget 2025*, November 2025. Available at: <https://www.gov.uk/government/publications/budget-2025-document/budget-2025-html>

6 Our aim is for 100% of 2025-26 accounts to be certified by 31 October 2026.

7 See our June 2025 report *Accountability in smaller government bodies*. Available at: <https://www.nao.org.uk/reports/accountability-in-small-government-bodies/>.

1.14 We are using our VFM programme to improve financial management in government and public services and in 2025-26 examined:

- government bodies' [financial management of fees and charges](#);
- the [Foreign, Commonwealth & Development Office's management of its overseas estate](#);
- the [Ministry of Defence's management of losses from fraud and other economic crime](#);
- HM Revenue & Customs' approach to [collecting tax from wealthy individuals](#), and its work on [tax compliance with large businesses](#);
- the government's use of [data analytics to tackle fraud and error](#), and its progress in [tackling fraud and error in the welfare system](#);
- lessons learned from the [government's use of consultants](#);
- how [accountability in small government bodies](#) might be improved and resources released through more tailored governance and audit requirements;
- the government's implementation of [climate-related financial reporting](#); and
- the importance of good [cost information](#) in supporting government improvements.

1.15 In 2025-26, our Financial and Risk Management Insights team published a good practice guide on [reporting for decision-making](#). This was the last in a five-part series of guides for government bodies following the financial management lifecycle. Our other Insights teams produced further good practice guides on specific aspects of financial management, including the use of consultants in government, and government exit and redundancy plans.

1.16 The C&AG used his annual speech in Parliament in February 2026 to focus on the need for a step change in the quality of financial management in public services. The C&AG argued that, without better financial management information, an understanding of the changing cost structures of modern services and high-level financial skills, the benefits of new technology, including artificial intelligence (AI), will not be fully realised.

Impact from our work on financial management and reporting

1.17 Our work leads to improvement through a combination of the quality of the initial analysis, the clarity of our recommendations, subsequent Parliamentary scrutiny informed by our findings, and, crucially, through our own follow-up with government bodies.

1.18 We track audited bodies' acceptance and implementation of our **recommendations**. Of the recommendations made from our VFM work in the six years to 31 March 2025, 96% had been accepted or partially accepted by audited bodies, and 69% had been implemented (93% and 60%, respectively, in our 2024-25 annual report).⁸ In 2025-26, we made 86 new recommendations relating to financial management and reporting from our VFM work and will track the government's progress in accepting and implementing these over time.

⁸ Of the 1,716 recommendations we made from our VFM and wider assurance work between 1 April 2019 and 31 March 2025, the government accepted or partially accepted 1,655, had implemented 1,178, and was continuing to work on 401. The remainder of recommendations not classified as accepted or partially accepted are either rejected or still under consideration by government departments, or we have no information yet on their acceptance.

1.19 The full impact of our work will often take time to emerge and may be the cumulative result of multiple recommendations and activities over a sustained period. In 2025-26, nearly nine in 10 (88%) of MPs responding to an annual survey agreed that our work contributed to better financial management and reporting in government and three-quarters (75%) of senior officials responding to an equivalent survey of audited bodies said that our work had influenced better financial management in their organisation. While these results provide a strong foundation, our focus is on further maximising our impact as part of our 2025–2030 strategy.

Delivering early impact in practice

1.20 Our work on financial management and reporting is supporting government bodies to strengthen their resource allocation decisions, improve data and develop more robust governance. The examples below illustrate the difference we are making.

- Responding to our audit findings and recommendations over several years, the Environment Agency undertook major reforms to its asset-valuation processes. This improved its information on flood defences, enabling better advice to the public on flood risk and more informed discussion with HMT on spending, and meant that we were able to remove the qualification on its accounts for 2024-25.
- Our 2022 work on combatting fraud is a significant factor in the Home Office’s recent work to strengthen its crucial coordinating role by building industry partnerships, expanding international cooperation, introducing a failure to prevent fraud offence and developing a fraud interventions evaluation strategy.
- Following our 2024 report on the government’s planning and spending framework, the government has said that it will publish annual strategic plans from spring 2026 which set out the outcomes agreed and funded in the 2025 Spending Review. This is a response to our recommendation that it should publish its outcome delivery plans to facilitate Parliamentary scrutiny and incentivise a stronger focus on VFM.
- Our 2025 report on mega projects prompted HMT, working with the Office for Value for Money (OVFM), to strengthen governance oversight and approvals processes for these specific interventions.
- Following our 2025 examination of its approach to risk taking in funding decisions, UK Research and Innovation is developing clearer guidance on risk appetite to support innovation and is providing extra training to its decision-makers.

Our longer-term impact

- 1.21 Assessing our overall impact on government financial management and reporting is challenging methodologically, but we include case studies below, agreed with the bodies we audit, to illustrate the lasting difference our work has made.

Impact case study: Energy bills support schemes



Energy prices increased sharply from summer 2021, with average annual household gas and electricity bills more than tripling by the start of 2023, first from the economy re-opening after the COVID-19 pandemic and then when Russia invaded Ukraine. The government responded by implementing eight energy bills support schemes between 2022 and 2024.

Our findings from the pandemic showed how emergency spending supporting businesses, introduced at speed, had led to high levels of fraud and error. We also published [good practice guidance](#) and a [lessons learned report](#) in early 2021 to help the government in its design of future similar schemes. This work emphasised the importance of adequate preventative controls and the need for careful consideration of trade-offs in developing interventions of this kind.

The government used our work to help it implement its energy bills support schemes. Consequently, the Department for Energy Security & Net Zero estimated that just 0.7% of scheme payments were either claimed fraudulently or paid in error. While it is not possible to make precise like-for-like comparisons, this rate is much lower than for the COVID-19 schemes, for example the estimated fraud and error rate in the COVID-19 business support grant schemes was 4.6%. To understand the impact of our work, we estimated what the value of fraud and error might have been, had it occurred at a similar rate to the COVID-19 schemes. We estimated our impact was worth £443 million, see page 135.

Impact case study: Strengthening Home Office's assurance processes for asylum-related property procurement



Our 2024 report [Investigation into the acquisition of the Northeye site for asylum accommodation](#) raised concerns about governance and risk management in asylum-related property acquisitions. We found that the Home Office dispensed with some established processes to acquire the Northeye site, including seeking an exemption from the Cabinet Office's Property Control Approval Request (PCAR) process for the acquisition of property outside the civil and defence estate. A PCAR was only submitted late in the process, which identified significant risks, including the risk of contamination that ultimately made the site unsuitable for use.

The Home Office has said that it has used our report findings and lessons learned to inform its latest accommodation strategy. It has said that all future asylum-related acquisitions are now expected to follow a detailed 'Stage Gate' process incorporating a requirement for an Outline Business Case, early engagement with the Cabinet Office's Office of Government Property, and formal PCAR approval before any acquisition can be made through the commercial property market. These changes strengthen the assurance process and better support value for money by reducing the risk that accommodation sites are unsuitable for asylum seekers.

More productive and resilient public services

Key facts

+0.6%

increase in **public service productivity** in 2025 reported by the Office for National Statistics (May 2026)

89

short-term **acute risks** in the government's 2025 National Risk Register, alongside **26 chronic risks** identified over the medium to long-term

£2.6 billion

of **financial impacts** recognised in 2025, from our work over several years, around £24 for every £1 of expenditure (exceeding our target of £15 for every £1 of expenditure)

132 number of **productivity-related recommendations made** in NAO VFM reports on public services in 2025-26

97 number of **resilience-related recommendations made** in NAO VFM reports on public services in 2025-26

69% percentage of **senior officials in the bodies we audit** who agree that the NAO helps to increase the productivity and resilience of public services

65% percentage of **MPs** who agree that the NAO's work leads to improvement in the productivity of public services

68% percentage of **MPs** who agree that the NAO's work leads to improvement in the resilience of public services

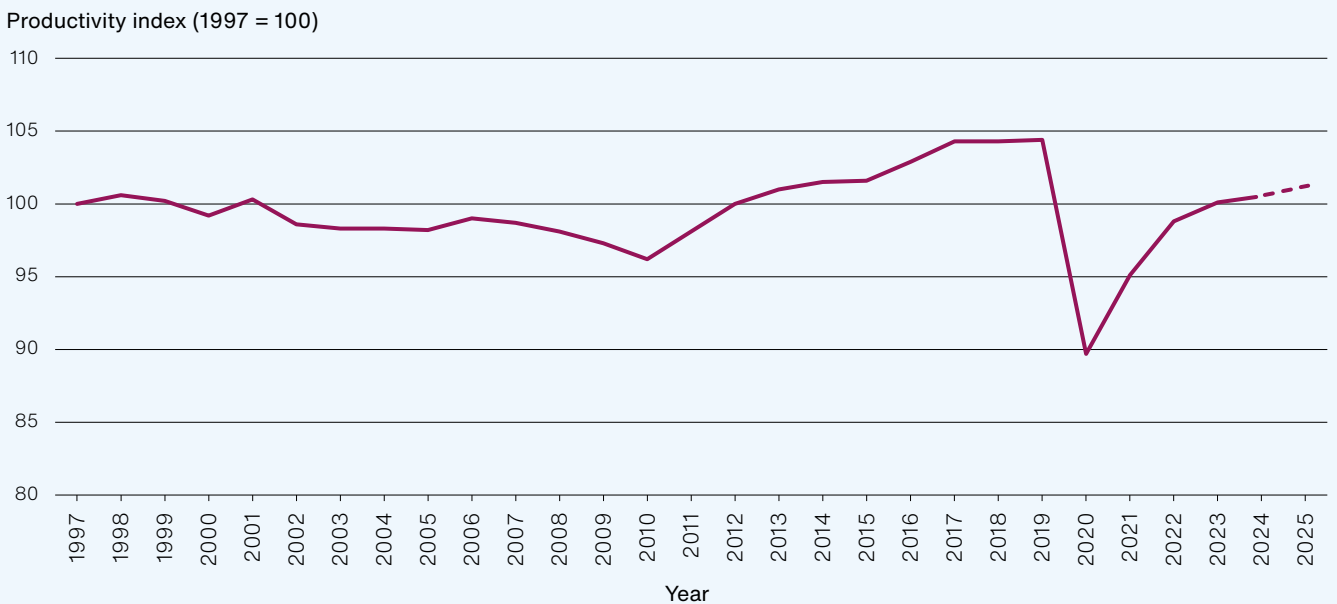
Assessing public service productivity and resilience

1.22 The Office for National Statistics (ONS) publishes a measure of public services productivity, that is the volume of services delivered to end users, relative to the volume of total inputs. The measure is inherently challenging because of the difficulty of valuing public sector outputs in the absence of a market price. This can be done for some services like education and healthcare where outputs are counted and some aspects weighted for their quality, but it is harder for other services such as collective defence. It is also difficult to capture any lagged impact of cuts to longer-term investment and resilience, which may appear as short-term productivity increases, or the impacts of preventative spending. While the ONS recognises these challenges, its measure still provides a widely used and recognised indicator of public services productivity. This metric indicates that public services productivity is still below levels achieved prior to the pandemic (**Figure 4**). The pandemic also highlighted weaknesses in UK resilience, compounded by wider risks relating to extreme weather, supply chains, technology and cyber security and a more volatile international political and trade environment. While indicators of overall productivity and resilience are challenging to develop and can give only a partial picture, it is clear that public services and the systems that underpin them are under strain.⁹

Figure 4

Total public services productivity, 1997 to 2025

Productivity – the volume of services delivered to end users relative to the volume of total inputs – remains below the level achieved in 2019



Note

1 Estimates of productivity from 1997 to 2023 are annual accredited official statistics. Estimates for 2024 and 2025, shown by the dashed line, are official statistics in development and are annualised quarterly estimates.

Source: National Audit Office analysis of Office for National Statistics, Public service productivity, quarterly, UK, October to December 2025, Table 2A: Total public service productivity, Annual Index, 1997 = 100, release date: 8 May 2026. Available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/datasets/publicserviceproductivityquarterlyuk>

9 Cabinet Office's *UK Government Resilience Action Plan (2025)* aims to strengthen measures of overall national resilience.

- 1.23** Our own work, over many years, shows that there are opportunities to deliver sustained improvement in public service productivity, through better leadership, innovation, skills, planning and investment. We have also recommended stronger risk analysis, a longer-term strategic and whole-system approach, robust planning, and better resource allocation so that public bodies are more prepared and resilient and can continue to deliver during periods of major disruption and meet future service challenges. Improving both productivity and resilience in tandem is therefore essential to ensuring that the government gets the most from every taxpayer pound it spends.

What we are doing to contribute to improving the productivity and resilience of public services

- 1.24** In 2025-26, we examined a wide range of subjects to support improvements in **productivity**, including using our VFM programme to report on:
- how the government and regulators are working to **support economic growth**;
 - the government's progress in delivering its **shared services transformation programme**, and digital transformation programmes at the **Bank of England** and **National Savings and Investments**;
 - the disability support programme **Access to Work** and the government's **administration of driving tests**; and
 - efficiency within the **family courts system** and **productivity in police forces**.
- 1.25** Our People and Operational Insights team also produced a lessons learned report in 2025-26 on **improving operational capability to provide better public services**.
- 1.26** Our VFM service line work on public service **resilience** in 2025-26 included reviews of:
- **environmental regulation** and the effectiveness of **regulation in the water sector**;
 - the government's preparedness for an **animal disease outbreak**;
 - the UK's **F-35 fighter aircraft capability**;
 - the government's oversight of the **children's residential care system**;
 - **energy efficiency installations** intended to reduce fuel poverty and carbon emissions as part of the Energy Company Obligation;
 - the UK's **resilience to severe space weather**; and
 - the government's **support to British Steel in Scunthorpe**.
- 1.27** Our insights work in 2025-26 considered a range of resilience themes. In December 2025, we published an innovative end-to-end analysis of the asylum system in the UK, supplemented with an **interactive data visualisation**. This showed that efforts to improve the system in recent years have often been short-term and narrowly focused on individual areas in reaction to large backlogs and sharply increasing costs. We identified four key requirements for value for money that provide an opportunity for the government to improve long-term outcomes. As part of our work to support government audit and risk assurance committees, our Digital Insights team published a good practice guide in October 2025 on cyber security and resilience.¹⁰ Our Financial and Risk Management Insights team also conducted a series of workshops with government officials sharing good practice on overcoming challenges to managing risks in government.¹¹

¹⁰ Good practice guide available at: <https://www.nao.org.uk/wp-content/uploads/2025/10/cyber-security-and-resilience.pdf>

¹¹ Good practice guide and analyser tool available at: <https://www.nao.org.uk/insights/overcoming-challenges-to-managing-risks-in-government/>

- 1.28** To further increase our impact, we supported Parliament’s Committee of Public Accounts (PAC) and other select committees in their scrutiny of government services. In 2025-26, we used our findings and insights from our work to support 57 PAC evidence sessions examining the VFM of government programmes, projects and services, around two per week when Parliament was sitting (37 in 2024-25). Our work has supported sophisticated scrutiny by PAC on a wide range of issues, including on the critical theme of resilience, with inquiries completed on topics such as antimicrobial resistance, preparation for animal disease outbreaks and cybersecurity. In 2025-26, the first year of our five-year strategy, around two-thirds of MPs agreed that our work led to improvement in public service productivity and to improvement in public service resilience (65% and 68%, respectively). Our aim is to build on this performance in future years.
- 1.29** In March 2026, the C&AG also wrote jointly with the Chair of PAC and the Chancellor of the Exchequer to Secretaries of State and Heads of Department across the government encouraging them to consider the productivity and other benefits of innovation, not just the risks, in pursuit of long-term VFM. They made clear that they understand that departments will often take a portfolio approach and that increased risks may be justified as long as guard rails are in place and lessons learnt promptly.

Impact of our recent work on public service productivity and resilience

- 1.30** We made 132 new recommendations relating to productivity and 97 relating to the resilience of public services in our VFM work in 2025-26 and will track the government’s progress in accepting and implementing these in future years. In our latest annual survey of audited bodies, seven in 10 (69%) of senior officials agreed that we helped to increase the productivity and resilience of public services.

Delivering early impact in practice

- 1.31** We know that our work is helping to strengthen productivity and resilience in public services by driving process efficiencies in how the government does things, more realistic planning, a stronger culture of government learning and greater reporting transparency.
- Our 2024 lessons learned report on developing a planning and spending framework that enables long-term value for money was used extensively by HMT’s independently chaired OVFM to inform its spending review work in pursuit of realistic and credible departmental efficiency plans which, if delivered, will amount to almost £14 billion in annual efficiency gains by 2028-29.
 - Our 2025 report on fees and charges prompted HMT to develop a standardised approach to help departments to systematically improve data, decision-making and cost recovery for the services they provide.
 - Our 2025 cyber resilience report informed the UK Government’s January 2026 Cyber Action Plan, which commits to biannual reporting on its progress in implementing our recommendations.
 - Our 2025 findings and recommendations on maintaining public service facilities informed the government’s new 10-year infrastructure strategy, which uses our property maintenance backlog calculations and commits to long-term maintenance budgets for departments to address rising backlogs.
 - Our 2021 report on evaluating government spending helped reinforce support for the Evaluation Task Force’s work to establish an Evaluation Registry, which launched in 2025 and brings together all planned, ongoing and completed evaluations to strengthen accountability of public services and promote learning on what works.

Our longer-term impact

1.32 Case studies, agreed with audited bodies and illustrating our longer-term impact, are included below.

Impact case study: Improving data sharing across the criminal justice system



Our 2021 report [Reducing the backlog in criminal courts](#) recommended that the Ministry of Justice (MoJ) devise and implement a plan to tackle the systemic barriers to collecting, using and sharing data effectively across the criminal justice system (CJS).

MoJ accepted our recommendation and has set up the CJS Data Improvement Programme to improve how cross-justice data is shared, used and managed. This is enabling data-driven decision-making by leveraging data across the system in multiple ways. For example, the programme has helped MoJ to measure victim attrition (whereby victims of crime withdraw from the justice process) in courts. This can help MoJ and others better understand whether initiatives to reduce victim attrition are working as intended. It has also enabled them to publish their *CJS Delivery Data Dashboard*, which brings together data at national and regional level in a digestible way, to provide insight and support decision-making for MoJ and HM Courts & Tribunals Service national teams. This includes, for example, data on the timeliness of cases in criminal courts, which informs decision-making by officials responsible for reducing Crown Court backlogs, and enables local justice boards to benchmark their performance with other similar areas. Further improvements are planned for future years.

Impact case study: Improving efficiency in NHS Supply Chain



The government estimates that the NHS collectively spends around £8 billion buying medical equipment and consumables each year.

Historically, the responsibility for buying such goods fell to local NHS organisations or national bodies. But, in 2017-18, the Department of Health & Social Care (DHSC) implemented a new operating model and delivery body for NHS procurement, known as NHS Supply Chain. The new body is responsible for procuring products, warehousing, and delivering goods on behalf of the NHS, and it became fully operational in April 2019.

In January 2024, we published our report [NHS Supply Chain and efficiencies in procurement](#). This report, and the corresponding Committee of Public Accounts inquiry, made a series of recommendations to NHS Supply Chain and NHS England, around clarifying their aims and incentives to NHS Trusts, improving the collection and use of data from Trusts, and strengthening the programme of work to transform NHS procurement.

NHS Supply Chain and NHS England accepted these recommendations and used them to add momentum to their work, which led to more NHS Trusts buying products from NHS Supply Chain at lower prices than they were previously buying them from other providers. NHS Supply Chain refers to these savings as “efficiency savings” and measures the increase in such savings each year, as part of its strategy. It identified millions of pounds of such savings and, on page 136, we report that the NAO’s contribution to this was worth £106 million in 2025.

Impact case study: Providing transparency to inform the future of the special educational needs (SEN) system



In 2024 we reported on the Department for Education's (DfE's) [Support for children and young people with special educational needs](#), setting out DfE's strategic approach, the funding arrangements, support available and outcomes achieved for these children. We found that, despite an increase in funding of 58% in real terms between 2014-15 and 2024-25, the SEN system was still not delivering better outcomes or preventing local authorities from facing significant financial risks. We concluded that the current approach was unsustainable, recommending DfE look at various options for reform.

Although challenges across the SEN system have been widely discussed for some time, our report and recommendations provided transparency over their breadth and provided an impetus for change. For example, following our report, in late 2025, the government announced plans for managing financial pressures on local authorities, including how it would handle debt levels. It confirmed it would end the "statutory override" practice (under which local authorities could exclude dedicated schools grant deficits from their main revenue budgets). It also announced plans for revisiting the system as a whole, through developing and publishing a white paper setting out its proposed changes. It published a Schools White Paper and launched a special educational needs and disabilities consultation in February 2026.

Our financial impact

1.33 Once our impacts become clear, we can often measure our contribution financially. The Statement of National Audit Office financial impacts on pages 134 to 137 represents our estimate of the financial benefits achieved following the implementation of our recommendations to the government or response to our findings. In 2025, we recognised a further £2.6 billion of financial impacts as a result of our work over a number of years. Based on our 2025-26 net expenditure, this represents about £24 for every pound of net expenditure.¹²

¹² A list of financial impacts valued at more than £5 million and our methodology for calculating these is included in the Statement of financial impacts below.

Increasing our influence

This section outlines the steps we have taken in 2025-26 to increase our influence so that we are well placed to achieve our strategic ambitions.

Supporting Parliament

- 1.34** We aim to use our independent, impartial and expert audit and analysis to provide support to Parliament in its work to hold the government to account. Our focus in 2025-26 has been on continuing to build Parliamentarians' understanding of our work, noting that over half of MPs were elected for the first time in 2024. We provided 12 secondees and published 17 Overviews of government departments to support select committees, individuals and other teams in Parliament.¹³ We have made some progress with 70% of respondents saying that they knew "at least a fair amount" about the NAO in our 2025-26 survey of MPs, up from 68% in 2024-25. At the same time, Parliamentarians continue to reference our work regularly, albeit less frequently than in 2024-25 (an average 4.1 times per Parliament sitting day in 2025-26 compared with 6.1 times a day in 2024-25, an election year).
- 1.35** The latest survey of MPs shows that our reputation remains strong. Nearly nine in 10 (86%) say that we are effective at supporting Parliament to hold the government to account and scrutinise public services (87% in 2024-25) and a similar proportion (89%) regard us as being above average for being authoritative (86% in 2024-25), essential for achieving influence. We want to provide more of the face-to-face contact that MPs value and where feedback is more mixed – some two-thirds (64%) of MPs agreed that the NAO engages effectively with them to influence beneficial change, compared with our target of at least 70%.

Engaging with audited bodies

- 1.36** In 2025-26, nearly nine in 10 (87%) of senior officials responding to our survey of audited bodies agreed that we were influential and 72% (target: at least 70%) said that our work helped to bring about beneficial change. Just over two-thirds (68%) of officials agreed that we helped their organisation to improve, and we are continuing to share valuable insights and practical recommendations with them. In 2025-26, we:
- strengthened further our engagement with audited bodies and with others across government, including with the newly established National Infrastructure and Service Transformation Authority, with whom we have kept a regular dialogue including on the changes it is making to how the government's major projects are planned, assured and delivered;

¹³ We provided two additional secondments to Parliament from autumn 2025, increasing their number from 10 to 12. These secondments are expected to continue in 2026-27.

- increased our work with the audit and risk committees (ARACs) of our audited bodies and in February 2026 held our now annual meeting with ARAC chairs, this year representing over 50 bodies and considering developments in audit quality and timeliness, proportionality in compliance requirements for smaller government bodies, and the digital transformation and cyber security challenges facing all public organisations;
- made full use of our cross-disciplinary Insights teams who provide deep expertise in areas important for the government on matters such as digital and major project delivery, and who published six good practice guides and three lessons learned reports; and
- met key stakeholders in many different forums, speaking at 113 external events (71 in 2024-25) on critical issues affecting the government and public services.

Engaging more widely

An updated communications plan

1.37 In 2025-26, we achieved 7,034 mentions or appearances on national broadcast outlets, key regional media, and podcasts, helping to ensure that our work is accessible to audiences however they prefer to consume information. While this is below our target of at least 8,000 mentions or appearances, we saw strong growth in other areas.

- Nearly 1.7 million impressions on social media in 2025-26 (1 million in 2024 25).
- In March 2026, around 27% of our email subscribers had opened an email from us within the last 30 days, up from 23% in March 2025.

In 2025-26, we reviewed how we communicate with our different audiences in the government, in Parliament, in the media and in the public, and we developed a comprehensive plan for more effective engagement to increase our impact through to 2030.

Supporting the government in implementing its local audit reforms

1.38 The C&AG continued to have statutory responsibility for setting the Code of Audit Practice (the Code) in 2025-26. The Code governs the work of local auditors, external audit firms, who are responsible for reporting their opinion on whether local public bodies' financial statements give a true and fair view, and for concluding on whether these bodies have made proper arrangements for securing value for money. The English Devolution and Community Empowerment Act 2026 establishes a new single specialist body, the Local Audit Office (LAO), to lead the local audit system in England, with responsibilities for the Code also likely to transfer from April 2027. We are working closely with the government and others to support the transition to the LAO, including supporting our colleagues affected by these reforms. We will continue to maintain the Code and associated guidance until responsibility passes to the LAO.

Contributing to international audit forums

1.39 To strengthen our core work, and to support the government’s overseas programmes, we also work with other national audit bodies known as Supreme Audit Institutions (SAIs) and their related organisations.¹⁴ While a small component of what we do, this work improves our offer to Parliament by bringing global perspectives and gives us access to comparative data, good practice on implementation of auditing standards and methods such as data analytics and AI, and helps to strengthen accountability and transparency in international institutions and countries receiving UK taxpayer funding. There are three aspects to our international engagement.

- **International relations**, including our participation in international forums such as the Governing Board of the European Organisation of Supreme Audit Institutions (EUROSAI). In June 2025, we hosted a five-day conference of supreme audit offices involving around 100 finance and accounting standard setters from 40 countries. In October 2025, the C&AG gave the keynote address on the use of AI in financial audit to the International Congress of Supreme Audit Institutions. In December 2025, we published a guide for public auditors on auditing AI jointly with colleagues from Germany, the Netherlands, Norway, Brazil and Finland. Our VFM work in 2025-26 also made further use of international comparisons, informing, among other studies, our examinations of the Foreign, Commonwealth & Development Office’s management of overseas estate, the government’s use of external consultants, and our analysis of the asylum system.
- **International audit**, where we are currently the external auditor of the International Telecommunications Union, giving us membership of the United Nations Panel of External Auditors.
- **Technical cooperation**, where we participate in funded projects to help national audit offices in countries receiving UK aid to improve their professional public audit service, and to support the UK’s Overseas Territories, working with the Commonwealth Parliamentary Association and the Government Internal Audit Agency. In 2025-26, we supported projects in Ghana, Jordan, Kenya, Rwanda, Senegal, Tanzania, The Gambia and Ukraine.

Corresponding with Parliamentarians and the public

1.40 Following up and replying to correspondence is an important part of what we do and informs our core work. In 2025-26, we provided 841 responses to the public and MPs (1,131 in 2024-25).

1.41 We aim to reply to correspondence from MPs within 10 working days, and from the public within 20 working days. In 2025-26, we replied to:

- 98% of letters from the public within our target timescales (99% in 2024-25); and
- 95% of letters from MPs within our target timescales (100% in 2024-25).

1.42 The Freedom of Information (FOI) Act 2000 gives applicants a general right of access to recorded information held by public authorities, subject to certain limitations. In 2025-26, we received 101 requests for information under the FOI Act, compared with 92 in 2024-25. We received eight requests under the Environmental Information Regulations (EIR) 2004 (eight in 2024-25) and answered five subject access requests under the Data Protection Act 2018 (six in 2024-25).

¹⁴ This can often be through umbrella organisations such as the International Organization of Supreme Audit Institutions (INTOSAI) and its European regional working group, the European Organisation of Supreme Audit Institutions (EUROSAI).

- 1.43** In 2025-26, four FOI complaints were submitted to the Information Commissioner's Office. The Information Commissioner upheld three of these due to late responses, information held but not confirmed, and failing to apply the correct exemption. We have updated our FOI procedures and are introducing a new case management system to help us further improve our FOI and correspondence handling. We publish a [FOI and disclosure log](#) on our website.

Plans for 2026-27

- 1.44** We will further improve targeting of our influencing activity, focusing on those areas where we want to see change, embedding influencing through all our work, and making our insights more accessible for those who need them. We will also consider what more we can do to measure our influence and impact, building on the range of methods that we already use.



Enhancing audit quality

This section describes what we did in 2025-26 to further strengthen the quality of our work.

- 1.45** Our success in achieving positive influence and impact on the government and public services depends on our performance in producing work that is rigorous, meets international accounting and auditing standards, and is timely, accessible and relevant. We continued to embed and build on our quality improvements of recent years, providing further evidence that our investment in audit transformation and quality plans has worked. Quality remains a key priority, and we are making further improvements to ensure that we consistently achieve high standards across all that we do.
- In its August 2025 quality inspection report, the Financial Reporting Council (FRC) considered that we had made significant progress in addressing matters it had previously raised on the overall system of quality management underpinning our audit work but it said that some targeted areas for improvement remain, which we are addressing.
 - Six out of seven financial audits from 2024-25 (86%) reviewed by the FRC met the required standard this year, above our target of at least 70% and continuing the recent trend of improved performance (100% of 2023-24 audits met the required standard).
 - Of 2024-25 financial audits reviewed internally, 68% met our required standard compared with 71% last year and a target of at least 70%. If we exclude internal assessments of regularity audit work which is not considered in FRC inspections, 76% of internally reviewed audits met our required standard.
 - Nearly two-thirds (64%) of the bodies we audit published their certified accounts before the summer 2025 Parliamentary recess, an improvement on the 55% achieved in summer 2024, but still below our target of 70%.
 - We published 61 VFM reports, investigations and lessons learned insights, one more than in 2024-25.
 - Of 20 VFM reports independently assessed by external experts in 2025, 19 (95%) met expected standards around methods and evidence, and robustness and clarity of findings, equalling performance in 2024.¹⁵
 - Of 12 VFM reports assessed internally in 2025 to check that all elements of our quality management process were followed, 10 (83%) met our standards, equalling performance in 2024.¹⁶

15 For the one report that fell below the required standard, the reviewers identified 'areas for improvement' but did not find 'significant areas for improvement'.

16 For the two reports that did not meet our standards, neither introduced significant risks to the overall quality of findings and conclusions.

- We met most of our target scores for opinions on the quality of our work from our key stakeholders.
 - Nine in 10 (88%) and eight in 10 (79%) of MPs responding to our annual survey said that our financial audit and VFM work, respectively, was of good quality (target: at least 80%).
 - Nine in 10 (91%) and seven in 10 (72%) of senior officials from the bodies we audit said that our financial audit and VFM work, respectively, was of good quality (target: at least 80%).
 - NAO colleagues responding to our People Survey gave average scores of 7.8 and 7.9 out of 10 in response to the statement that they were proud of the quality of our financial audit and VFM work, respectively (target: at least 7.0).

1.46 Our *Transparency Report 2025-26* considers our audit quality in detail and sets out the further steps that we are taking to ensure consistently high quality in all our work.¹⁷

Making better use of audit firms

- 1.47** We use audit firms to provide specialist and sector expertise for our financial audits in areas such as pension schemes or charities. We also use them to provide general resourcing support and deliver whole financial audits on our behalf at the most demanding points in our audit cycle. Until recently, firms delivered around 100 audits for us, roughly a quarter of our work by volume.
- 1.48** In December 2023, and in response to the increasing cost of using private firms, the NAO Board endorsed a plan to build our in-house auditing capacity and reduce by a third the volume of work that we contract out from the 2026-27 audit cycle. As part of this plan, and in preparation, we contracted out eight fewer audits for the 2025-26 audit cycle and completed a re-procurement exercise for our Financial audit and assurance services and Specialist audit services contracts in 2025-26.
- 1.49** We will continue to use the firms for specialist expertise where it is not cost-effective for us to hold the required skills routinely. This means that we can benchmark our audit approach and build our knowledge through our financial audit centres of expertise. The change in outsourcing strategy will, over time, reduce our costs, because we can conduct less complex audits in line with quality standards without the additional NAO management and quality review time required for contracted out work.

¹⁷ See National Audit Office Transparency pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/>

Investing in our people and culture

This section provides an overview of progress we have made in increasing the capability of our people.

Attracting and developing high-quality people

- 1.50** We want to attract talented people and support them to become even better at what they do while ensuring that we have the skills and capabilities needed to deliver the quantity and quality of work. We increased our full-time equivalent (FTE) permanent workforce by 70 in 2025-26, in response to a growing range of audit responsibilities, including our appointment as auditor of DfT Operator Limited and seven train operating companies, and as part of our plan to contract out fewer of our whole audits. We continue to invest in training school leavers and graduates to build up the skills and capacity we need in future years, with 64 trainees appointed in 2025-26. We are embracing opportunities to augment how we work with data and AI-led tools that can increase our efficiency and effectiveness, and training our people in how to use these tools.
- 1.51** Feedback from our annual survey of the bodies we audit showed that 93% of senior officials said that our colleagues demonstrated high standards of professionalism (target: at least 70%). We have also seen improved colleague engagement scores from our internal people surveys on their experience at the NAO. In January 2026, we achieved our target engagement level of 7.5 (out of 10), up from 7.2 in January 2025 and saw improvements in most other areas (**Figure 5**).
- 1.52** In 2025-26, we launched a new 'people deal', to further build capability and resilience. Our people deal incorporates a new wellbeing strategy and makes clear that we will invest in our colleagues to support their performance and productivity, improve technical, digital and influencing skills, and ensure that workloads are manageable. These developments are making a difference, with sickness absence rates over the last year down from an average 7.0 working days in 2024-25 to 5.9 in 2025-26.¹⁸
- 1.53** In 2025-26, we further strengthened our financial auditor training by introducing regular online updates, conducted two-day face-to-face events targeting technical developments, launched new multi-day audit lead and audit manager programmes, and established new governance arrangements to support our financial audit mandatory training curriculum. For our VFM teams, we supplemented tailored learning and development with regular seminars and 'VFM Together' events showcasing best practice and promoting continuous improvement.
- 1.54** We set clearer leadership expectations for our directors through a new competency framework, delivered a new programme on leading high-performing teams and introduced a biennial 360-degree feedback process. For all our teams, we promoted a feedback culture by providing specific training and updated our people management offer to give colleagues the skills to manage and lead teams at all stages of their career. Nearly all (98.5%) colleagues completed at least 40 hours of continuing professional development in 2025, above our target threshold of 95%. Our *Transparency Report 2025-26* gives more detail on our learning and development approach.¹⁹

¹⁸ Data for 2025-26 are provisional, based on management information to early April 2026.

¹⁹ See National Audit Office Transparency pages on our website at: <https://www.nao.org.uk/about-us/governance/transparency/>

Figure 5

National Audit Office People Survey results, 2025-26

Our scores (out of 10) improved in 11 out of 14 areas this year; scores are lowest for workload and reward

Theme	2025-26	Change compared with 2024-25
Overall engagement	7.5	+0.3
Peer relationships	8.2	+0.4
Management support	7.8	-
Environment	7.8	+0.4
Freedom of opinions	7.5	+0.1
Autonomy	7.4	-
Meaningful work	7.4	+0.3
Strategy	7.4	+0.3
Goal setting	7.4	-
Accomplishment	7.3	+0.1
Recognition	7.2	+0.2
Growth	6.9	+0.1
Workload	6.7	+0.2
Reward	6.6	+0.4

Notes

- 1 The National Audit Office People Survey is a survey of colleagues conducted using Workday Peakon Employee Voice. Data for 2025-26 are based on the survey conducted in January 2026. Data for 2024-25 are based on the survey conducted in January 2025.
- 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 In last year's annual report, we presented an average of scores across all surveys conducted in the financial year. For this year's report, the scores are based only on the People Survey administered in January, the final survey in the financial year. The updated approach coincides with our new Performance Framework from 2025-26 and the inclusion of several new questions to reflect our 2025-2030 strategy priorities.
- 4 Numbers are rounded to 1 decimal place.

Source: National Audit Office analysis of the Peakon People Survey

1.55 We are becoming a more diverse and inclusive workplace (**Figure 6**). Our pay gaps for gender, disability and social mobility are now very small. We have further to go to tackle our ethnicity pay gap (11.7%) and this is an important component of our new *Diversity & Inclusion Strategy 2026–2030*. Our *Diversity & Inclusion Annual Report 2025-26* gives more detail on our progress this year.²⁰

20 See more information on our website at: <https://www.nao.org.uk/about-us/governance/transparency/#diversity-inclusion>

Figure 6

Percentage of women, ethnic minority and disabled colleagues, and colleagues from lower socio-economic backgrounds by grade, 2025-26 and 2024-25¹

Women	2025-26	2024-25
Senior management ²	51%	49%
Middle management	52%	52%
Other grades	49%	49%
All NAO	50%	50%
Ethnic minority		
Senior management	14%	12%
Middle management	18%	18%
Other grades	35%	33%
All NAO	31%	30%
Disabled		
Senior management	16%	13%
Middle management	14%	13%
Other grades	15%	16%
All NAO	15%	15%
Lower socio-economic background (parental occupation)³		
Senior management	19%	23%
Middle management	29%	27%
Other grades	26%	26%
All NAO	26%	26%

Notes

- 1 Data are at 31 March 2026 (2025-26 column) and 31 March 2025 (2024-25 column).
- 2 Senior management = executive director/director; middle management = senior audit manager/band 1; other grades = all other grades.
- 3 The percentage of people who are from lower socio-economic backgrounds uses a parental occupation measure. The occupation categories for those from lower socio-economic backgrounds are routine, semi-routine manual and service occupations, long-term unemployed, and technical and craft occupations.
- 4 Analysis excludes 'prefer not to say', 'other' and non-disclosure, which for office-wide figures was 2% for ethnicity, 4% for disability and 23% for socio-economic background; and excludes non-binary, prefer not to say, and non-disclosure for 'women' calculations, which was 1%.

Source: National Audit Office analysis of Human Resources data

Increasing our use of digital technology and data

This section provides an overview of progress we have made in strengthening our digital and data capability.

1.56 We want to make the most of opportunities offered by new technology, including AI, to improve the efficiency and impact of our work. Our now completed Audit Transformation Programme, winner of the Digital Finance Project of the Year at the 2025 Public Finance Awards, introduced a new audit methodology and software platform, Apex, which enables much more automation and standardisation and more time for difficult audit judgements. This transformation has been key to recent improvements in the quality and productivity of our work.

Developments in 2025-26

1.57 We have built our digital, analytics and IT audit capability in recent years by expanding specialist teams. These teams play an important role in developing, commissioning, rolling out and supporting the use of new data, digital and analytics tools that improve our access to audited body systems, speed up routine audit tasks and strengthen our insights. We were, for example, able to reduce our recruitment by five people compared with our original plans, following the rollout of an 'off-the-shelf' digital audit analysis tool called 'DataSnipper' in 2025-26. This year, we also developed technology, digital and data plans to inform future audit work for 67% (target: 50%) of our major audited bodies and used advanced data analytical approaches in 26% of VFM studies (target: 25%). Our People Survey results show an average score of 7.6 out of 10, exceeding our target of at least 7.5, for colleagues agreeing that they were confident in using technology to support digital approaches to their work.

Plans for 2026-27

1.58 In 2026-27, we will invest further in digital technologies, increase our use of data acquisition software, grow our data analytics capability, and modernise our VFM reporting to increase its impact. We will develop more digital and data plans for our major financial audits across government, identifying further opportunities to use technology in our financial audit work. We will also expand our use of AI in a well-managed way across our organisation, including the further rollout of Microsoft 365 Copilot where our pilot findings to date show that it can support our teams in completing audit and non-audit work more efficiently and improve quality. We expect to recruit a new Chief Digital and Information Officer in 2026-27 to lead our approach across the NAO on digital, data and information.

Strengthening our productivity and resilience

This section describes the steps we are taking to further improve our productivity and resilience, and summarises our financial performance in 2025-26.

Effective use of resources

- 1.59** We continue to focus on our own productivity. This is partly about how we develop and support our colleagues, but it is also about how we allocate our resources. We ensure that at least 80% of our budget is spent on front-line audit and that our senior auditor practitioner grades spend 85% to 90% of their day doing audit work, keeping time allocated to administrative tasks to the minimum necessary. In 2025-26, we invested further in critical business-support functions such as digital, information security and technology, recognising that high-quality and productive corporate support teams and resilient business operations enable our front-line teams to focus on audit.
- 1.60** In recent years, we have sub-let part of our London building to maximise value for money from our asset and reduce the amount of funding that we need to request from Parliament. To help us to let out more of our office space, we completed a phased refurbishment of the floors that we use in 2025-26, increasing the number of workstations and 'hybrid' meeting rooms, and improving internal acoustics and IT equipment. In 2025-26, our rental income was £2.4 million (2024-25: £2.1 million).
- 1.61** Each year we gain external assurance on the efficiency and effectiveness of our operations. For 2025-26, the Public Accounts Commission (TPAC) agreed to an external auditor review of our governance. Crowe U.K. LLP completed its review in early 2026 and assessed that our model was effective and high performing compared with organisations it had reviewed. Crowe has examined other aspects of our operations in recent years, including our financial audit and insights work, and finance and human resources functions, concluding that these worked effectively for our organisation.²¹

²¹ We publish these external auditor reports on our website at: <https://www.nao.org.uk/about-us/governance/#/who-audits-the-nao>

Our risk appetite and principal risks

- 1.62** Our priority, in line with our strategy, is to protect our integrity and stakeholders' trust and confidence in us. We therefore have a low appetite for risks that would impact on our good governance, impartiality and audit quality. We may be prepared to take greater risks to improve our delivery, impact and efficiency.
- 1.63** At the end of 2025-26, we had nine principal risks (PR) in our Corporate Risk Register.²² Of those nine risks, we judged that four were above target, albeit within tolerance. None of our risks were above tolerance on 31 March 2026 (**Figure 7**).
- 1.64** We continue to take mitigating actions to bring risks down where these are above our target level, including implementing a new communications plan to support our work on influence and impact (*PR1 – Stakeholder relationship and influence: Failure to deliver and/or demonstrate impact from our work*), continuing to target 70% of financial audits for pre-summer Parliamentary recess delivery and measures to further improve the efficiency of our work (*PR3 – Poor service delivery from the NAO*), steps to strengthen governance and build capability of teams around the use of digital technologies and AI in our work (*PR7 – Poorly managed AI adoption*) and measures to further strengthen our cyber resilience (*PR6 – Failure to maintain cyber resilience and/or information and data security*).
- 1.65** During 2025-26, we assessed that *PR6 Failure to maintain cyber resilience and/or information and data security* was above tolerance and of immediate concern. We acted urgently to address this by recruiting additional specialists and pursuing targeted action across the NAO's highest-risk security domains. We reduced our assessment of the risk to within tolerance at the end of March 2026, but we continue to manage it closely given the changing environment.
- 1.66** We also reduced our risk score down to target in February 2026 for *PR4 – Our reputation for independence, integrity and high-quality work is undermined by not meeting or being seen to meet the highest professional standards* following evidence of sustained improvement in the latest audit quality review scores.

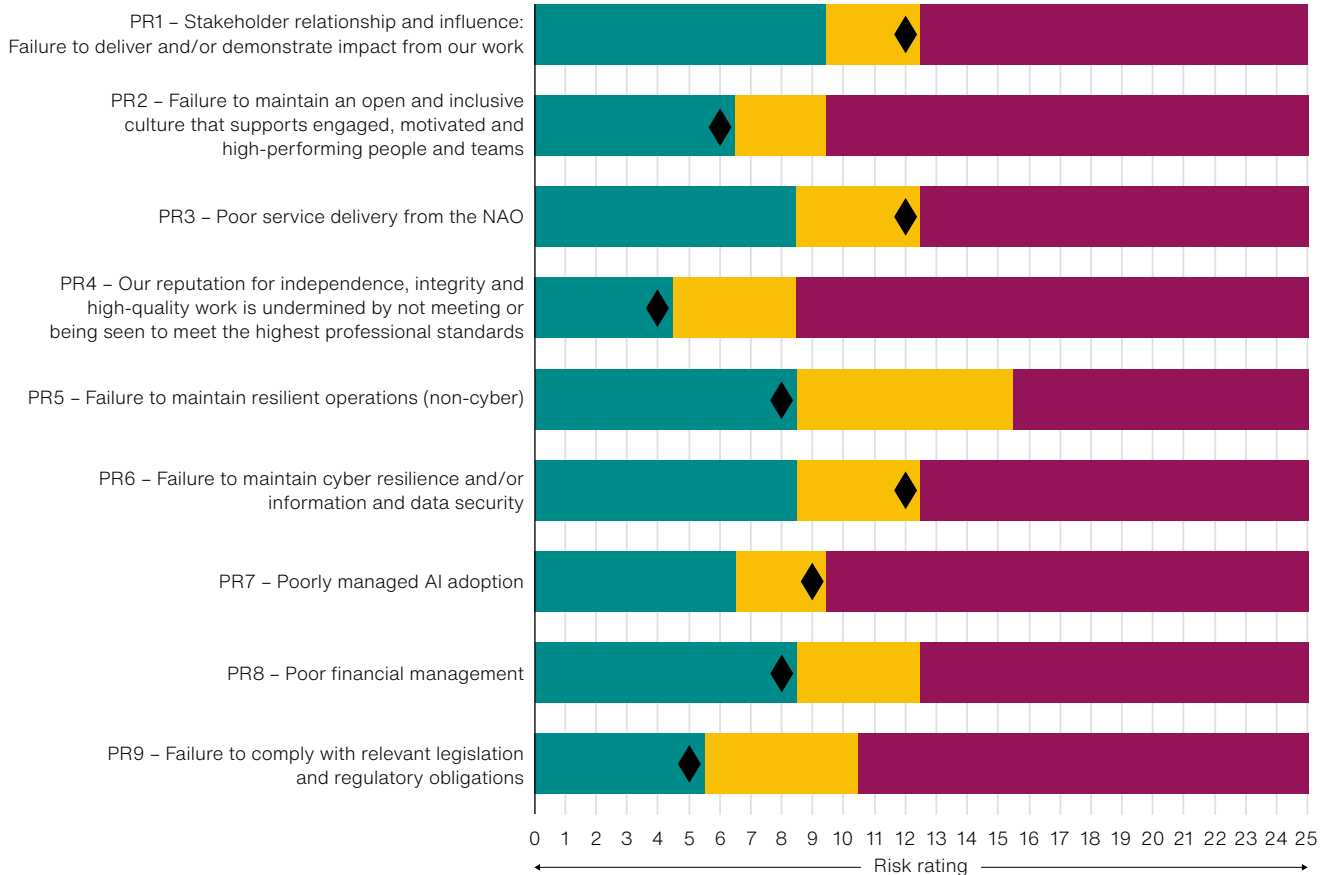
²² Our principal risks are those that could significantly impact our future prospects; our ability to achieve our objectives; our performance; and or our reputation, in line with HM Treasury's Orange Book. Our risk management process is described in the Accountability report (Corporate governance report).

Figure 7

Position of National Audit Office (NAO) principal risks compared with their target and tolerance levels, 31 March 2026

Four out of nine principal risks (PRs) were above their target level but all were within their tolerated level

Principal risk



Key to colour shading:

- ◆ Current risk rating
- Satisfactory
- Of concern
- Of immediate concern

Notes

- 1 Risks are assigned a current rating, after mitigations, based on five-point scales of probability and impact multiplied together. Each risk is also assigned a target and tolerance level. A risk at target level or below is categorised as 'satisfactory'; above target and at or below tolerance as 'of concern'; above tolerance as of 'immediate concern'.
- 2 We re-classified our risks in our corporate risk register during 2025-26, more clearly adopting the concepts of principal and component risks (see Corporate governance report).

Source: National Audit Office analysis of corporate risk register

Other component risks

Identifying and managing fraud risk

- 1.67** We accept a very low level of risk relating to fraud, and exercise zero tolerance where incidents occur, following response protocols regardless of how low value the fraud may be. Our assessment is that the system of risk management and internal control relating to fraud is adequate and effective and that the level of residual risk is low. Our approach to identifying and managing fraud risk is captured in our Counter Fraud Plan, which sets out our assurance framework for preventing and detecting fraud, bribery or corruption involving colleagues, or perpetrated against the NAO by its suppliers or others. The plan links to a wider range of policies, procedures, standards, guidance and other requirements and is maintained and reviewed by a dedicated Counter Fraud Group chaired by the chief operating officer and overseen by the NAO Board's Audit and Risk Assurance Committee (ARAC).
- 1.68** The Counter Fraud Group maintains a specific risk register that focuses on risks of fraud which could affect our assets, IT systems and software, people, finance and governance, as well as the integrity of our audit practice. The approach we take to managing these risks combines a strong ethical culture and policies and tools to deter fraud. These include our code of conduct, which all colleagues sign annually, a preventative framework of internal control, and processes for detecting and responding to fraud, such as proper investigation of whistleblowing correspondence and an annual programme of internal audit targeting fraud risk.
- 1.69** The fraud risk register is reviewed at each meeting of the Counter Fraud Group (usually three times a year), and risks within it can be escalated to the organisation-wide corporate risk register. Currently, fraud is not categorised as a principal risk in our corporate register but is an important component of *PR9 – Failure to comply with relevant legislation and regulatory obligations* and *PR8 – Poor financial management*. This view is based on the work of the Director of Internal Audit & Assurance and the volume and nature of whistleblowing, other incidents and any intelligence received. We revisit this assessment at each meeting of the Counter Fraud Group.

Climate-related risk and resilience

- 1.70** Climate change has implications for both our business operations and our audit and assurance role. We evaluate its risks and opportunities from four perspectives.
- Our operations and estate.²³
 - Our programme of VFM work, where our ambition is to contribute to securing more climate-resilient and less carbon-intensive public services, in line with government ambitions.
 - Our financial audit work, reviewing whether the government has accounted appropriately for climate-related risks.
 - Our developing work on sustainability reporting, where our objective is to secure the most value from new reporting requirements, for Parliament and for decision-makers in government.

We use HMT's guidance on climate-related disclosures to inform a longer-term analysis of risk across different climate scenarios in the section below.

²³ We comply with environmental legislation and assess our impact using an ISO 14001:2015 certified environmental management system.

Taskforce on Climate-related Financial Disclosures (TCFD)

- 1.71** We follow HMT's Sustainability Reporting Guidance, including its guidance on the phased introduction of TCFD-aligned disclosures covering governance, strategy, risk management, and metrics and targets. We expect to improve the quality of our disclosures over time as our approach, together with the public sector's understanding of climate risk, continues to mature. Currently, our strategy and metrics and targets disclosures are only partially compliant with requirements, and we aim to develop these further through more quantification of material risks, more use of tailored metrics to monitor risks, and increased reporting of supply chain emissions, all drawing on better data.
- 1.72** Our overall assessment is that climate change is not a standalone principal risk for the NAO, but it is a significant component of other principal risks. We recognise that Parliament is also likely to have a strong interest in how we are managing climate risk and opportunities because of our role in supporting it to hold government to account on managing the long-term VFM risks associated with this issue, and because it funds much of our work and operations.

Governance

- 1.73** Our governance is outlined in the Accounting Officer's Governance statement on page 64 and in Figure 1 (page 12). Specific arrangements relating to our climate risks and opportunities are summarised below.²⁴
- The C&AG and Head of the NAO, Gareth Davies, is our Accounting Officer and, as such, is responsible for managing our climate risks and ambitions.
 - The NAO's Executive Team supports the C&AG in the exercise of his statutory duties and has collective responsibility for our climate-related work. As part of its role, the Executive Team considers our risk position across the breadth of our activities at each monthly meeting. The Executive Team discussed our approach to climate risk and opportunity in October 2025 and had several subsequent discussions, including to review the results of a climate risk exercise (see below). The Executive Team also receives a twice-yearly environmental report covering the NAO estate and business operations.
 - Individual members of the Executive Team hold day-to-day responsibility for each aspect of our climate-related work.
 - Our chief operating officer (COO), Rebecca Sheeran, is accountable to the C&AG for our risk methodology and the sustainability of our operations. Rebecca chairs an Environmental Performance & Sustainable Operations Committee, a sub-committee of the Executive Team. This Committee meets quarterly and is charged with measuring the impact of climate change on our estate and operations, managing climate-related risks and providing a forward-looking, horizon-scanning mechanism for climate change issues. We have also set up a project dedicated to maintaining and enhancing the long-term climate resilience and efficient operation of our London estate. This project is led by the COO with oversight from the NAO Board.

²⁴ Also see the Governance statement in the Accountability report for more details.

- Our executive director job-share partnership of Laura Lucking and Verity Prime is accountable to the C&AG for environment and climate change issues in our external-facing work, including on sustainability reporting, coordinating with other members of the Executive Team responsible for our VFM and Financial Audit service lines. An expert Environment & Climate Change Insights team reports to this partnership, and its purpose is to build our skills, work programme and influence on environment and climate matters, review the VFM of the government's plans and delivery in this area, improve financial and risk management on sustainability-related issues and promote good practice in public sector sustainability reporting.
- The NAO Board provides oversight of the management of our resources and advises on the exercise of the C&AG's statutory functions. It supports and respects the independence of the C&AG. The Board receives an overview of our organisation-wide risk position at each meeting and receives an annual environmental report on matters affecting the NAO's estate and operations. It discussed our approach to climate change risk in November 2025 and receives regular updates on our project to improve the efficiency and resilience of our London building. The NAO Board's ARAC conducts reviews of our risk management and internal control framework, governance arrangements, and the quality and reliability of financial reporting on behalf of the Board.

Strategy

1.74 In 2025-26, we conducted an office-wide exercise to identify the risks and opportunities to our operations and audit work from climate change, overseen by the Environmental Performance & Sustainable Operations Committee. We used three climate scenarios to inform our analysis: a 2°C warming pathway and a 4°C warming pathway both drawing from Met Office UK Climate Projections 2018 (UKCP18), and a transition scenario that assumes further policy and regulatory changes in pursuit of the UK government's net zero by 2050 target. This exercise identified five overarching climate risks and two opportunities across the NAO that were qualitatively assessed for their likelihood and impact on our operations, strategy and financial planning across three time periods to 2050.²⁵

1.75 The Executive Team reviewed the findings of this exercise and concluded that two of the five risks were potentially material if not adequately mitigated, and therefore a significant component of at least one of our principal risks:

- the risk that our London building does not keep pace with changing environmental regulations; and
- the risk that our productivity is reduced during a prolonged heatwave at a time which coincides with our summer financial audit peak (**Figure 8** on pages 52 to 54).

The Executive Team also judged that the opportunity to increase our impact and influence through our climate-related audit and assurance work was potentially material to our future strategy.

²⁵ The office-wide exercise identified 35 climate-related physical and transition risks and two transition opportunities. The 35 risks were then consolidated into five overarching climate risks. Risks identified by different NAO teams were sometimes overlapping. We took definitions of physical and transition risks from our good practice guide on climate change risk for Audit and Risk Assurance Committees (August 2021). Available at: <https://www.nao.org.uk/insights/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>.

Risk management

- 1.76** Climate risks were identified and evaluated in 2025-26 as part of the strategy exercise described above. We expect to conduct further targeted work next year to improve our analysis, also drawing on new insights like the Climate Change Committee's *Fourth Independent Assessment of UK Climate Risk*. We will conduct a fuller review alongside future benefits realisation work following implementation of efficiency and resilience improvements to our estate.
- 1.77** In conducting our climate risk identification and evaluation exercise this year, we followed the risk management approach outlined in our Governance statement on page 64. The two climate risks identified as potentially material will now be incorporated into the NAO's Corporate Risk Register for ongoing management. Meanwhile, pursuit of our climate-related opportunity will be owned by our Environment and Climate Change Insights team, working closely with the executive directors responsible for our Financial Audit and VFM service lines.



Figure 8

Climate risk and scenario analysis: significant risks and opportunity identified

We judged that two climate risks and one opportunity may be financially or strategically material in the period to 2050, with measures required to build our resilience and capability

Risk 1	
Risk description	Failure to comply with laws, regulations and expectations in relation to environmental performance, impacting our reputation and rental income.
Risk type	Transition
Business area	Business operations and estate
Nature of materiality	Financial and strategic
Related principal risk (PR)	PR1 – Stakeholder relationship and influence: Failure to deliver and/or demonstrate impact from our work PR8 – Poor financial management PR9 – Failure to comply with relevant legislation and regulatory obligations
Time horizon over which material	Medium to Long
How the risk impacts our business operations, strategy and financial planning	The sustainability credentials of our London building are important for ensuring the safety and productivity of our staff, its attractiveness to tenants, and our continued rental income. We expect that our London building will need to achieve an improved energy efficiency rating of Energy Performance Certificate (EPC) B by 2030 to enable us to continue to let office space to tenants. Non-compliance with environmental regulation would impact our credibility when auditing government's environmental performance.
Planned mitigation steps to improve our resilience to the risk	Currently, an EPC rating of C is required by 2027. Our London building already achieves this level. Further work is planned to improve the efficiency, climate resilience and environmental impact of our estate, in line with the government's ambition for the public sector and regulatory requirements.
Risk 2	
Risk description	Reduced productivity during a heatwave due to staff illness or poor wellbeing, negatively impacting our service delivery during our financial audit peak.
Risk type	Physical
Business area	Delivery of audit and assurance work: <ul style="list-style-type: none"> • Our financial audits of central government bodies
Nature of materiality	Strategic
Related principal risk (PR)	PR3 – Poor service delivery from the NAO PR5 – Failure to maintain resilient operations (non-cyber) PR9 – Failure to comply with relevant legislation and regulatory obligations
Time horizon over which material	Short to Long

Risk 2 *continued*

<p>How the risk impacts our business operations, strategy and financial planning</p>	<p>Climate hazards have not significantly disrupted operations to date. However, we expect the risk of reduced productivity because of a prolonged heatwave during our early summer financial audit peak to increase over time in both a 2°C and a 4°C warming scenario, especially for our London office and staff located in the southeast of England.</p> <p>There are interdependencies outside of our immediate control that have contributed to our assessment of the materiality of this risk:</p> <ul style="list-style-type: none"> • If our office cooling systems failed or proved ineffective, our hybrid working model enables homeworking. However, colleagues' ability to work productively in these circumstances will vary depending on health and wellbeing and how well-adapted their homes are to extreme heat. • Even if office cooling worked effectively, access to our buildings during a prolonged heatwave may be reduced because of public transport disruption. • Our contracted-out audit work may be similarly affected by prolonged extreme heat. • Our audit work also depends on timely information provided by our audited bodies, and this may be impeded during a prolonged heatwave.
<p>Planned mitigation steps to improve our resilience to the risk</p>	<p>Cooling systems in our London building have been upgraded to improve their effectiveness during heatwaves. Further work is planned to improve the efficiency, climate resilience and environmental impact of our estate and operations, in line with the government's ambition for the public sector and regulatory requirements.</p> <p>Work is planned to improve our understanding of how prolonged heatwaves may affect our workforce, focusing on our ability to deliver timely financial audit opinions during extreme summer heatwaves. This includes plans to develop metrics and collect relevant data in future heatwave events.</p>

Opportunity

<p>Risk description</p>	<p>Opportunity to have further influence and impact with audited bodies through our:</p> <ul style="list-style-type: none"> • value-for-money (VFM) audits of government's implementation of interventions to achieve climate change targets • use of improved sustainability reporting to inform our assessment of financial statement risk in financial audit; and • potential future sustainability assurance work.
<p>Risk type</p>	<p>Transition</p>
<p>Business area</p>	<p>Delivery of audit and assurance work:</p> <ul style="list-style-type: none"> • our programme of VFM and Insights work • our financial audits of central government bodies; and • our developing work on sustainability reporting.
<p>Nature of materiality</p>	<p>Strategic</p>
<p>Related principal risk (PR)</p>	<p>PR1 – Stakeholder relationship and influence: Failure to deliver and/or demonstrate impact from our work</p>
<p>Time horizon over which material</p>	<p>Medium</p>
<p>How the opportunity impacts our business operations, strategy and financial planning</p>	<p>Climate change risks and opportunities will likely affect the requirements for our audit and assurance work and how we support Parliament, including:</p> <ul style="list-style-type: none"> • further sustainability reporting and assurance requirements for our audited bodies set by the government, and associated changes to accounting and auditing regulatory standards; and • the content of our VFM and Insights programme examining the government's delivery of its climate change objectives.
<p>Planned steps to strengthen our ability to take an opportunity</p>	<p>An Environment & Climate Change Insights team was established in 2024-25 to build the NAO's skills, influence and programme of work on environment and climate change; to encourage the value for money of government's delivery of its goals; and to be a catalyst for improved sustainability reporting and assurance practices in the public sector. This team has started a project to consider what would be required if we were asked by the government to provide a sustainability assurance role in the future.</p>

Figure 8 *continued*

Climate risk and scenario analysis: significant risks and opportunity identified

Notes

- 1 We considered financial materiality in line with the threshold used in our annual accounts (1% of operating expenditure).
- 2 To assess strategic materiality, we used criteria aligned with our corporate risk management framework and our strategic ambitions, as set out in the NAO Strategy 2025–2030. The principal risk for which the component climate risk is most significant is marked in bold.
- 3 We conducted a qualitative assessment for these risks and opportunities and recognise the need to improve the data we hold in relation to them and to further refine our analysis over time.
- 4 We considered risks and opportunities over short (to 2030), medium (2031 to 2040), and long-term (2041 to 2050) time horizons. Our assessment of risk and opportunity probability, impact and materiality becomes more uncertain in the long term.
- 5 HM Treasury’s (HMT’s) guidance invites us to explore scenarios which are consistent with the government’s net zero policies and commitments. We therefore used a scenario that assumed further policy and regulatory changes in pursuit of the UK government’s net zero by 2050 target, informed by the UK’s Carbon Budget delivery plans and Third National Adaptation plan. We assumed that, as part of this scenario, there will be continued and further requirements for climate and sustainability reporting and assurance across the UK economy. We also considered end-of-century warming pathways of 2°C and 4°C. These pathways align with HMT guidance and recommendations of the Climate Change Committee in its Third Climate Change Risk Assessment (2021). In the period to 2050, the difference in physical impacts between a 2°C and a 4°C scenario was relatively modest (differences are expected to become more pronounced after this date).
- 6 In assessing the strategic materiality of risks and opportunities relating to any future sustainability assurance role and expectations of our regulator, we considered a transition scenario where the pace of change towards more prescriptive and assured sustainability information in the UK public sector to 2040 was broadly similar to the recent past, and a scenario where the pace was faster, mirroring changing requirements in the UK and European private sector banking and insurance markets.

Source: National Audit Office

Metrics and targets

- 1.78** Climate change has been identified as a significant component of NAO principal risks PR1, PR3 and PR9. In 2025-26, our performance against these principal risks has been tracked using a range of indicators covering stakeholder feedback, audit quality, certification timeliness, impact on government (including financial impact), and carbon emissions and other aspects of environmental compliance. Our work in 2025-26 has helped us to further define the areas where we need to collect better data to enable quantification of climate risk and opportunity. One area where we want to do more is in relation to the productivity impacts on our workforce of a prolonged heatwave. We expect to improve our monitoring and reporting on climate risk and opportunity over time.
- 1.79** In 2025-26, we also reviewed our ambition to eliminate direct carbon emissions from our estate by 2029 as part of our progress towards net zero. We concluded that, while our earlier ambitions had helped to galvanise effort across the NAO, significant further progress in reducing our emissions would depend on implementing a series of efficiency and resilience measures in our London Office. A dedicated project has been established to consider cost-effective ways forward, and its initial analysis is expected in 2026-27.
- 1.80** We updated our climate and sustainability plan in 2025-26 and are working towards the government’s near-term target to reduce direct emissions from public buildings by 50% by 2032 from a 2017 baseline, and the legislated longer-term UK target of net zero by 2050.²⁶ To March 2026, we had reduced direct emissions by 20% compared with a 2017 baseline of 407 tonnes of CO2 equivalent. Our plan for further reductions focuses on those areas where we have the most control and where the risks are greatest, targeting measures which reduce emissions, build resilience and minimise long-term heating and cooling costs.
- 1.81** Emissions data for our estate are reported in the Sustainability Annex (page 140). We also report our emissions from business travel. We expect that the emissions from our supply chain will be material and intend to report these data in future years.

26 Department for Energy Security & Net Zero, *Net Zero Government Initiative: UK Roadmap to Net Zero Government Emissions*, December 2023. Available at: <https://assets.publishing.service.gov.uk/media/6569cb331104cf00dfa7352/net-zero-government-emissions-roadmap.pdf>

Wider sustainability performance

1.82 In addition to the environmental data reported in the Sustainability Annex, we describe two areas where sustainability was an important consideration in 2025-26.²⁷

- **New procurement:** We re-tendered major contracts covering financial and specialist audit services, end user devices, Microsoft products, and occupational health services in 2025-26. All procurements followed our Environmental Policy statement, with bidders asked to show how they would deliver environmental benefits. Appointed suppliers have committed to implementing carbon reduction and environmental management plans and will report to us on their progress.
- **Refurbishment of the floors that we use in our London office:** Sustainability was a key theme in work completed in 2024-25 and 2025-26.
 - Government Buying Standards were used for procurement relating to this work.
 - Potential suppliers were required to show how sustainability would be embedded throughout the design and delivery of works, to provide a full carbon footprint, carbon reduction plans and environmental policies, and to show relevant ISO certification.
 - Most waste (95%) from the two-year refurbishment has been diverted from landfill.
 - Legacy IT-related equipment has been disposed of using a 'zero to landfill' company, with some equipment already donated to schools for re-use.

Financial performance

1.83 We aim to demonstrate strong financial management of budgets prepared in line with the Public Spending Framework. Parliament authorises separate resource, capital and cash budgets, and these provide control limits for our spending. Our outturn against budget is shown in **Figure 9** (bold numbers are our control limits). Our net resource expenditure and capital expenditure were both within budget.

²⁷ We will consider how we might use the updated *Greening Government Commitments* to inform our future monitoring and reporting, subject to their publication in 2026-27.

Figure 9

National Audit Office (NAO) financial performance, 2025-26

Our expenditure was within budget

	Estimate	Outturn	Variance	Variance
	(£mn)	(£mn)	(£mn)	(%)
Total resource expenditure on audit and assurance work	148.0	147.1	(0.9)	(0.6)
Less: income	(35.8)	(36.8)	(1.0)	(2.8)
Net resource expenditure on audit and assurance work	112.2	110.3	(1.9)	(1.7)
Net capital expenditure	4.0	3.8	(0.2)	(5.0)
Cash expenditure	111.7	111.2	(0.5)	(0.4)

Notes

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

Source: National Audit Office analysis of financial data

Audit and assurance work

1.84 Our total resource expenditure which funded the delivery of our financial audits, VFM and insights work, international work and direct support to Parliament was £147.1 million which is £0.9 million less than our budget of £148.0 million. We made efficiency savings on consultancy by reducing our reliance on external specialist expertise, including for some of our new work, and spent less than budgeted on business travel.

- **Staff salaries and staff-related costs** make up £104.7 million (71%) of total resource expenditure and cover the use of permanent and temporary staff.
- **Non-staff costs** make up £42.4 million (29%) of total resource expenditure and cover payments to partner audit firms who assist with our audit work and provide specialist expertise, audit travel, audit technology and information security, the running of our London and Newcastle offices and business support operations such as digital services, HR and learning and development, and annual depreciation of our assets.

Income

1.85 Parliament directly funds around 75% of our audit and assurance work, with the remainder funded from income earned from audit fees charged for the financial audit of those bodies or public companies who operate at arm's length from government, renting out surplus office space in our London office and providing services to overseas bodies.

1.86 We earned £36.8 million in income, £1.0 million more than the budgeted figure of £35.8 million. The additional income includes £0.3 million from the audit of the Infected Blood Compensation Authority, following its change in status from a non-fee-paying to a fee-paying body during the year and higher than budgeted rental income of £0.2 million from renting out more of our surplus office space. The remainder reflects negotiation of audit fees to recover the costs of further work for some audits.

Capital expenditure

1.87 Our capital expenditure, which covers items such as the purchase of IT equipment, software assets and building improvements, was £3.8 million, close to our budget of £4.0 million. Spending in 2025-26 included the final phase of the refurbishment of our London office.

Cash expenditure

1.88 We made net cash payments of £111.2 million, £0.5 million less than our budget of £111.7 million. The variance reflects the timing of payments and receipts of invoices at the year end, which can be difficult to fully anticipate.

Supplementary budget adjustment

1.89 In 2025-26, we submitted, and received Parliamentary approval for, a supplementary estimate of £1.2 million of additional resource funding, following the government's request during the year that we take on the audit of six more train operating companies for the 2025-26 audit cycle. This additional funding was to cover the one-off transitional and capacity building costs associated with these new and substantial audits.

Assets and liabilities

1.90 The Statement of Financial Position in the Financial statements sets out the NAO's assets and liabilities. Our main assets are our London office, held on a very long peppercorn lease with around 85 years remaining, and our Newcastle office, held on a 10-year lease until 2033. Our net assets increased by £5.6 million, from £97.0 million at 31 March 2025 to £102.6 million at 31 March 2026.

1.91 The change in net asset value was driven largely by increases in our:

- non-current assets of £3.7 million, mainly from changes in the market value of our London office and other capital investments, including the continued development of new audit software, offset by depreciation; and
- net current assets of £1.6 million, reflecting changes in the timing of payments from audited bodies invoiced as well as other debtors, such as tenants of our building, netted off by timing of payments due to our suppliers.

Resources for future years

1.92 TPAC approved our budget on 21 April 2026 for the year ending 31 March 2027, a net resource requirement of £112.9 million, after income of £40.3 million, a £4.5 million capital budget and a £112.7 million net cash requirement.

1.93 The net resource requirement for 2026-27 is an increase of £0.7 million (0.6%) on the budget for 2025-26. It assumes that we deliver cashable efficiencies of £1.6 million and means that we can meet the costs of expected new audits, continue to invest in audit technology, and retain and attract colleagues with the right skills. Specifically, the annual change includes:

- an extra £2.8 million for an overall 2.5% pay award and inflation;
- an additional £0.7 million for strategic investments;
- a reduction of £1.6 million from cashable efficiencies achieved; and
- a net reduction of £1.2 million in one-off audit costs associated with new work.

1.94 The capital budget for 2026-27 is an increase of £0.5 million on the amount budgeted for 2025-26. Capital plans are linked to asset replacement cycles and will vary year on year. Next year’s budget includes an allowance for the partial replacement of more of our laptops, which are reaching the end of their useful life, and investment in more efficient lighting for our London office.

1.95 **Figure 10** shows our expenditure over the last five years and our spending plans for the next three.

Figure 10

National Audit Office (NAO) resources from 2021-22 to 2028-29

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

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)	(£mn)
Audit and assurance work	103.6	109.7	122.0	132.3	147.1	153.2	154.2	155.0
Less: income	25.4	26.7	29.7	32.1	36.8	40.3	41.6	42.6
Net resource expenditure	78.2	83.0	92.3	100.2	110.3	112.9	112.6	112.4
Capital expenditure	1.9	8.4	3.0	4.2	3.8	4.5	3.0	4.8

Notes

- 1 Numbers are shown in nominal terms and do not consider inflation over this period. The above excludes non-voted expenditure items, such as the Comptroller and Auditor General’s and Chair’s salaries, which are paid directly by Parliament and are outside the control of the NAO.
- 2 Provisional budgeted amounts shown from 2026-27 onwards.

Source: National Audit Office analysis of financial data

- 1.96** The growth in expenditure over the period between 2021-22 and 2025-26 reflects the growth in our audit portfolio, the demands of revised audit quality standards, and our investments in using technology in audit and information security. In this period, we also moved to new office space in Newcastle and completed the refurbishment of our London office.
- 1.97** We are conducting a project to explore options to improve the resilience and reduce the energy consumption of our London building. In addition, this will support the government target to significantly reduce direct emissions from public sector buildings. We have commissioned technical expertise to help us set out the options.

Gareth Davies
Comptroller and Auditor General
22 June 2026



02

**Accountability
report**

Accountability report

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



Corporate governance report

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

Directors' report

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

Register of interests

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

Pension liabilities

2.3 Most past and present NAO employees are covered by the provisions of the Principal Civil Service Pension Scheme and, more recently, the Civil Servants and Others Pension Scheme. Both are defined benefit schemes. Employees may opt to join a personal stakeholder pension scheme instead, providing it meets the minimum criteria set by the government. Further information on pension liabilities is set out in the Remuneration and staff report, and in Notes 1.6 and 1.7 of the Financial statements.

Personal data incidents

2.4 No protected personal data related incidents were reportable to the Information Commissioner's Office in 2025-26.

Auditor of the NAO

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

Other disclosures

2.6 Some disclosures required within the Directors' report have been included elsewhere in the Annual Report. Disclosures on employment and training and people engagement are in the 'Investing in our people and culture' section of our Performance report, which begins on page 41. Additional information is included in the Remuneration and staff report, which begins on page 77. Future developments affecting our business are disclosed in the Performance report under 'Financial performance', which starts on page 55.

Statement of Accounting Officer's responsibilities



Gareth Davies

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

In preparing the resource accounts, I, as the Comptroller and Auditor General (C&AG), adopted the Government Financial Reporting Manual (FReM) issued by HM Treasury, and have:

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

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

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

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

Governance statement

2.7 As Accounting Officer, and working together with the NAO Board, I have responsibility for maintaining effective governance, risk management and a sound system of internal control that supports the achievement of the NAO's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, under the responsibilities assigned by the Public Accounts Commission (TPAC). Figure 1 (on page 12) summarises our governance and key relationships in 2025-26.

Budget Responsibility and National Audit Act 2011

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

The NAO's governance

NAO Board and Executive Team membership



Dame Fiona Reynolds

Non-executive director | Chair of the NAO Board

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

Dame Fiona Reynolds has had a long career in the voluntary and public sectors. This included serving as Director General of the National Trust from 2001 to 2012 and, earlier, senior leadership roles in the Cabinet Office and environmental and rural organisations. She was Master of Emmanuel College, Cambridge from 2012 to 2021.

In addition to her role at the NAO, Dame Fiona holds a number of non-executive and governance positions across education, food and agriculture, heritage, and the voluntary sector. She is the High Sheriff of Gloucestershire for 2026-27.



Gareth Davies

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

Appointed: 1 June 2019

Before his appointment as Comptroller and Auditor General, Gareth Davies was Head of Public Services at Mazars and previously Managing Director of the Audit Commission's Audit Practice. His experience spans financial and value-for-money audit, organisational leadership and board governance.

Gareth is a non-executive board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions in developing countries to enhance their performance and capacity.



Gaenor Bagley

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

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

Gaenor Bagley has chaired the Audit and Risk Assurance Committee since January 2022 and was appointed Chair of the Audit Quality Board in July 2024. She is a chartered accountant with extensive senior leadership experience in professional services, including 30 years at PwC and five years on the PwC UK Board. She holds a number of non-executive roles across the financial services, education and charity sectors.



Sir Martin Donnelly

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

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

Sir Martin Donnelly is a former Permanent Secretary who led the Department for Business, Innovation & Skills and subsequently established the Department for International Trade. His earlier career included senior roles across a range of government departments, and he has also served as a non-executive director of GCHQ. Sir Martin currently undertakes a number of trustee and advisory roles and has a particular interest in promoting diversity in leadership.



Alistair Conner

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

Appointed: 1 February 2023. Alistair was re-appointed for a further three-year term commencing on 1 February 2026.

Alistair Conner brings extensive senior leadership experience from financial services and the Royal Air Force. He has held executive and board level roles at UBS and Credit Suisse, including as UK Chief Operating Officer, and has advised on major strategic transactions. Most recently, he was Deputy Chief Executive Officer of Time Partners.



Hetan Shah

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

Appointed: 25 January 2024

Hetan Shah is Chief Executive of the British Academy, the UK's national academy for the humanities and social sciences, and is Chair of Our World in Data. Hetan has significant board level experience across the public and charitable sectors and currently holds a small number of advisory and governance roles focused on research, data and public policy.



Abdool Kara

Executive director | Executive Team

Abdool Kara leads the NAO's work with government departments focused on local services, including housing, communities, education, health, policing and fire services. He also has responsibility for the NAO's Insights work, providing practical analysis on how public services can be improved, and leads on all aspects of the NAO's local government work.

Abdool has extensive experience across local government and the wider public sector. In addition to his role at the NAO, he is a non-executive Vice Chair of West Kent Housing Association and a member of the Advisory Group to the Welsh Centre for Public Policy.



Catherine Hope-MacLellan

Executive director, chief people officer | NAO Board | Executive Team

Catherine Hope MacLellan is responsible for the NAO's people function including learning and development, and diversity and inclusion. She brings experience from international finance and management consulting and senior people focused roles in the public sector.

Before joining the NAO, Catherine was responsible for the strategy and rollout of national talent initiatives at NHS England.



Kate Mathers

Executive director | Executive Team

Kate Mathers leads the NAO's Financial Audit service line and is responsible for audit quality. She also has responsibility for the NAO's work with government departments focused on culture, justice and welfare, and the NAO's work on the BBC. Kate is a chartered accountant and held senior management positions in finance and operations while working on secondment at the Independent Parliamentary Standards Authority.

In addition to her role at the NAO, Kate is an independent member of the Finance Committee of The Royal Foundation of the Prince and Princess of Wales and a Director of TRF Trading Ltd.



Laura Lucking



Verity Prime

Executive director (job-share) | Executive Team

Laura Lucking and Verity Prime lead a joint portfolio covering the NAO's work on infrastructure, transport, major projects, defence, energy and net zero. They have extensive experience working in government departments and arm's-length bodies, leading work on a wide range of public policy priorities.



Max Tse

Executive director | NAO Board | Executive Team

Max Tse leads the NAO's VFM service line and is responsible for the NAO's work with departments at the centre of government. He has led audits of major programmes across government, including VFM audits of the Department for Work & Pensions and work on digital transformation.

Before joining the NAO, Max was a consultant with McKinsey & Co., working in the UK and overseas across a range of sectors. He is a chartered accountant, certified IT auditor and PhD economist, and is a trustee of the North East Law Centre.



Rebecca Sheeran

Executive director, chief operating officer | NAO Board | Executive Team

Rebecca Sheeran is responsible for the NAO's corporate strategy, finance and resources, digital services and communications and serves as Chief Information Officer and Senior Information Risk Owner. While at the NAO, she has led on the audits of major programme areas across government, including on infrastructure, defence and climate change, also previously leading its VFM service line.

In addition to her role at the NAO, Rebecca is a trustee of the Royal College of Speech and Language Therapists, where she chairs the Finance and Resources Committee, and is an independent member of the Finance Committee of the Cardinal Hume Centre in Westminster.

The NAO Board

- 2.9** The Board shapes the strategic thinking of the NAO, oversees the use of its resources and advises the C&AG on meeting his statutory responsibilities. The Board is supported by two sub-committees to which it has delegated specific responsibilities: the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee (RemCo). A further forum, the Audit Quality Board (AQB), advises the C&AG on the effectiveness of audit quality controls.
- 2.10** The Board's operations are aligned with the code of good practice for corporate governance in central government departments, except for specific departures arising from the NAO's compliance with the Budget Responsibility and National Audit Act 2011.²⁸ The Senior Independent Director, Sir Martin Donnelly, holds meetings with the C&AG and other members of the Board to appraise the Chair's performance. The feedback on Dame Fiona's performance, now in her final year as Chair, has been consistently positive. Board agendas and minutes are published on our [website](#).

NAO Board

Overview of key decisions and priorities, by Dame Fiona Reynolds



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

As I come to the end of my tenure as Chair, I reflect with enormous pride on the way the Board has worked together during 2025-26 to provide effective, thoughtful and constructive leadership of the NAO. Throughout the year, the Board has operated with a strong sense of collective responsibility, offering both support and challenge as we implemented our outcome-based strategy in a demanding and fast-changing environment. We held regular

horizon-scanning discussions throughout the year on fiscal sustainability, public sector productivity, resilience, civil service reform and geopolitical risk. We did this to evaluate the continuing relevance of the strategy and to ensure that emerging risks and opportunities were reflected in strategic priorities and future planning. We enter 2026-27 with enhanced digital capability, stronger influencing infrastructure and increasingly mature performance reporting.

The external review of the NAO's governance provided welcome validation of the Board's effectiveness, particularly the quality of our behaviours, the strength of our relationships with management and the way in which good governance has enabled strong progress on strategy, audit quality and performance. We have built, and maintain, a culture of openness, independence and rigour drawing on the assurances provided by our committees and keeping our focus firmly on the long-term interests of Parliament and the public.

I leave my role confident that the Board is united, understands its strengths and challenges, and is well equipped to provide continuity of leadership and to support my successor in continuing to uphold the NAO's vital statutory role.

²⁸ HM Treasury and Cabinet Office, *Corporate governance in central government departments: code of good practice*, 21 April 2017. Available at: <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

Board's focus in 2025-26

Strategy & Influence	<ul style="list-style-type: none"> • Oversaw delivery of the outcome-based strategy by addressing key issues in public spending, audit quality and the NAO's operating environment. • Supported continued improvement in how the NAO targets and presents its work to key stakeholders.
Quality	<ul style="list-style-type: none"> • Maintained oversight of audit quality and delivery including financial audit timeliness and progress on the Future VFM programme.
People	<ul style="list-style-type: none"> • Approved the <i>Diversity and Inclusion Strategy 2026–2030</i>. • Kept pay gaps, wellbeing and performance management under regular review.
Finance	<ul style="list-style-type: none"> • Approved the 2025-26 Supplementary Estimate and the 2026-27 Estimate, ensuring resources were aligned with Parliamentary requirements.
Digital technology, data and artificial intelligence (AI)	<ul style="list-style-type: none"> • Oversaw the strengthening of digital and data capability including the controlled introduction of Microsoft 365 Copilot. • Agreed arrangements to enhance leadership of digital, data and information functions.
Sustainability	<ul style="list-style-type: none"> • Oversaw the discovery phase for the Future Foundations project aimed at making sure our London office is as climate resilient and efficient as it can be. • Reviewed the NAO's approach to managing climate-related risks and opportunities.
Performance and risk / major projects	<ul style="list-style-type: none"> • Approved the principal risk framework and risk appetite. • Received assurance on the management of principal risks, including information security, and on major programmes.
Succession planning	<ul style="list-style-type: none"> • Oversaw non-executive succession and transition arrangements for the next Chair.
Quality of data	<ul style="list-style-type: none"> • Routinely assessed the quality of data underpinning information received during Board meetings and, based on our interrogation, judged this to be consistently reliable.

Audit and Risk Assurance Committee

Overview by Gaenor Bagley, non-executive Chair



The Audit and Risk Assurance Committee (ARAC) provides assurance to the Board that the NAO's financial and non-financial controls and risk management procedures are operating effectively.

Our work in 2025-26 was informed by evidence from internal and external audit, including the external auditor's VFM review on the NAO's governance, and management reporting.

A key area of focus during the year was ensuring that the NAO's risk management arrangements continued to provide clear line of sight to the most material risks. We endorsed the adoption of the principal risk framework, comprising nine principal risks, to support alignment with the 2025–2030 strategy and effective Board level oversight. We also maintained close oversight of information and data security, looking beyond individual incidents to consider whether planned actions and investment were likely to reduce risk and improve resilience over time.

With the upcoming changes to Committee and Board composition, we discussed the skills required to ensure we remain well placed to effectively challenge and contribute to the Board's assurance requirements.

Based on the evidence and assurances presented to us during the year, the Committee concluded that the NAO’s arrangements for risk management, internal control and assurance operated effectively and provided a sound basis for the integrity of the Annual Report and Accounts.

ARAC’s focus in 2025-26	
External audit assurance	<ul style="list-style-type: none"> • Oversaw the external audit through planning, interim findings and final conclusions, including consideration of key risks and materiality. • Received the external auditor’s clean opinion on the audit of the Financial statements. • Received confirmation on the effectiveness of the NAO’s governance arrangements, which in turn provides assurance to the Public Accounts Commission that the NAO is fulfilling its statutory duties.
Internal audit and assurance	<ul style="list-style-type: none"> • Reviewed delivery of the internal audit plan and received assurance reports across corporate, financial, operational and governance risks. • Challenged areas of limited assurance and monitored the implementation of recommendations. • Received the Director of Internal Audit and Assurance’s annual opinion and were satisfied with the overall level of assurance provided. • Approved the internal audit plan for 2026-27.
Risk management and internal control	<ul style="list-style-type: none"> • Maintained oversight of the NAO’s risk management arrangements. • Monitored movements in risk ratings and were satisfied that risk management was dynamic, proportionate and increasingly mature.
Information security, data loss and cyber resilience	<ul style="list-style-type: none"> • Maintained oversight of information and data security, including management’s response to incidents, investment in controls and capability, and the balance between security and effective ways of working.
Fraud, whistleblowing and legal compliance	<ul style="list-style-type: none"> • Received assurance that there were no reported cases of fraud or whistleblowing during the year. • Oversaw compliance with legal obligations including preparations for the new ‘failure to prevent fraud’ offence.
Committee effectiveness	<ul style="list-style-type: none"> • Received the external governance review, which found that the Board committees operated efficiently, with clear roles, and followed best practice, taking into account the C&AG’s statutory role.

Remuneration and Nominations Committee

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



The Remuneration and Nominations Committee (RemCo) advises the Board on the framework for executive director remuneration, the staff pay award, succession planning for non-executive and executive directors, and strategic people matters.

We advised the Board on the proposed 2026-27 staff pay award, reviewing management’s main assumptions on affordability, market conditions, recruitment, retention, and fairness. We also constructively challenged the executive directors’ proposed pay award based on the C&AG’s assessment of their individual performance and collectively, as an Executive Team, in delivering the objectives of the first year of the 2025–2030 strategy.

Succession planning continued to be a key focus. We received updates on the ongoing appointment of the next NAO Chair, which is overseen by Parliament, and advised the Board on the experience and leadership qualities required to address the upcoming non-executive vacancies.

We also considered staff engagement and future capability. We took assurance from improvements in engagement scores while noting that some groups would benefit from continued management attention. We noted that stronger performance management had not impacted negatively on engagement scores

and was leading to better outcomes overall. We reviewed the trainee engagement programme and were encouraged by evidence of clearer training pathways, stronger coordination and improved use of data to support the development of future talent.

We welcomed the findings of the independent external review of the NAO’s governance, which confirmed that the Board’s committees, including RemCo, provide effective, independent oversight.

RemCo’s focus in 2025-26	
Pay award	<ul style="list-style-type: none"> Advised the Board on staff pay award assumptions, considering inflation, market competitiveness, and affordability. Endorsed the C&AG’s recommendations on Executive Director remuneration.
Executive and non-executive succession	<ul style="list-style-type: none"> Advised on future non executive requirements. Endorsed Executive Director appointments to the Board in 2026-27. Appointments subsequently approved by the Board.
People, engagement and future talent	<ul style="list-style-type: none"> Reviewed engagement, performance management and workforce data including the trainee engagement programme. Noted the outcome of the voluntary exit scheme.

Audit Quality Board

Overview by Gaenor Bagley, non-executive Chair



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

During 2025-26, AQB focused on whether the system of quality management was operating effectively in practice and supporting sustained improvements in audit quality. AQB was encouraged by the continued positive direction of internal and external inspection results and by evidence that issues identified were being followed up and addressed.

Our oversight placed particular emphasis on culture, ethics and professional behaviour as essential drivers of audit quality alongside timeliness and workforce sustainability. We also considered emerging risks and opportunities, including the early use of AI, to ensure that governance arrangements and safeguards were proportionate and robust.

AQB maintained oversight across both financial audit and VFM work and contributed to transparent public reporting on audit quality and continuous improvement.

The external review of the NAO’s governance concluded that AQB discharged its advisory role effectively and in line with the Audit Firm Governance Code, taking account of the C&AG’s statutory responsibilities.

AQB's focus in 2025-26

Strengthening the system of quality management (SoQM)	<ul style="list-style-type: none"> Reviewed evidence for the C&AG's 2025 evaluation and concluded that the objectives of the quality management system are being met. Noted that the 2025 evaluation showed clear progress compared with the previous year with the NAO moving beyond a transitional phase towards a more consistent and established monitoring cycle.
Overseeing audit quality performance	<ul style="list-style-type: none"> Assessed audit quality indicators, inspection outcomes, methodology change and training participation. Tracked delivery milestones and assessed management's analysis of internal review findings. Considered management's initial use of AI tools in audit delivery with a focus on risk identification, governance and controls.
Overseeing VFM quality	<ul style="list-style-type: none"> Reviewed the development and use of VFM quality indicators. Reviewed internal and external VFM inspections and tracked actions to maintain consistently high quality.
Engagement with external bodies	<p>Received updates on engagement with:</p> <ul style="list-style-type: none"> the Financial Reporting Council's methods for assessing quality management systems; and HM Treasury's options to simplify reporting requirements for smaller, less complex entities.
New and emerging audit work	<ul style="list-style-type: none"> Reviewed management's assessment of Train Operating Company audits, including skills, technical risks, resources, and funding.

Executive Team

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

Executive Team

Overview by Gareth Davies



I lead the Executive Team which, in 2025-26, also consisted of seven executive directors, including a job-share pairing (six executive director roles). The executive directors each hold functional responsibility for an area essential to delivering our strategy and are accountable for one of the groups within the NAO.

The Executive Team met monthly to monitor progress against strategic objectives, manage risks outside our risk appetite, and provide operational leadership. Additionally, we met two to three times a week to stay informed about developments within groups and functional areas and to make operational decisions.

We regularly reviewed financial and performance data, alongside internal and external feedback, to assess progress in implementing our strategy and advancing organisational development. This information supported our monitoring of the timeliness and quality of financial audits and guided decisions on revisions to our VFM and wider assurance work programme, ensuring operational and resource plans reflected our priorities.

In 2025-26, we oversaw the first year of implementation of our 2025–2030 strategy, advanced quality improvement initiatives for both financial audit and VFM work, invested in new technologies to enhance productivity and strengthen cyber security, and introduced the NAO's people deal and wellbeing strategy.

2.12 Attendance at the Board and its committees is shown in **Figure 11**.

Figure 11

Attendance at the National Audit Office (NAO) Board and committees, 2025-26

Attendance was high across all meetings

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

Note

- The Board meeting scheduled for 25 March 2026 was rescheduled to 21 April 2026 because of an unavoidable commitment in the Comptroller & Auditor General's diary.

Source: National Audit Office analysis of meeting attendance records

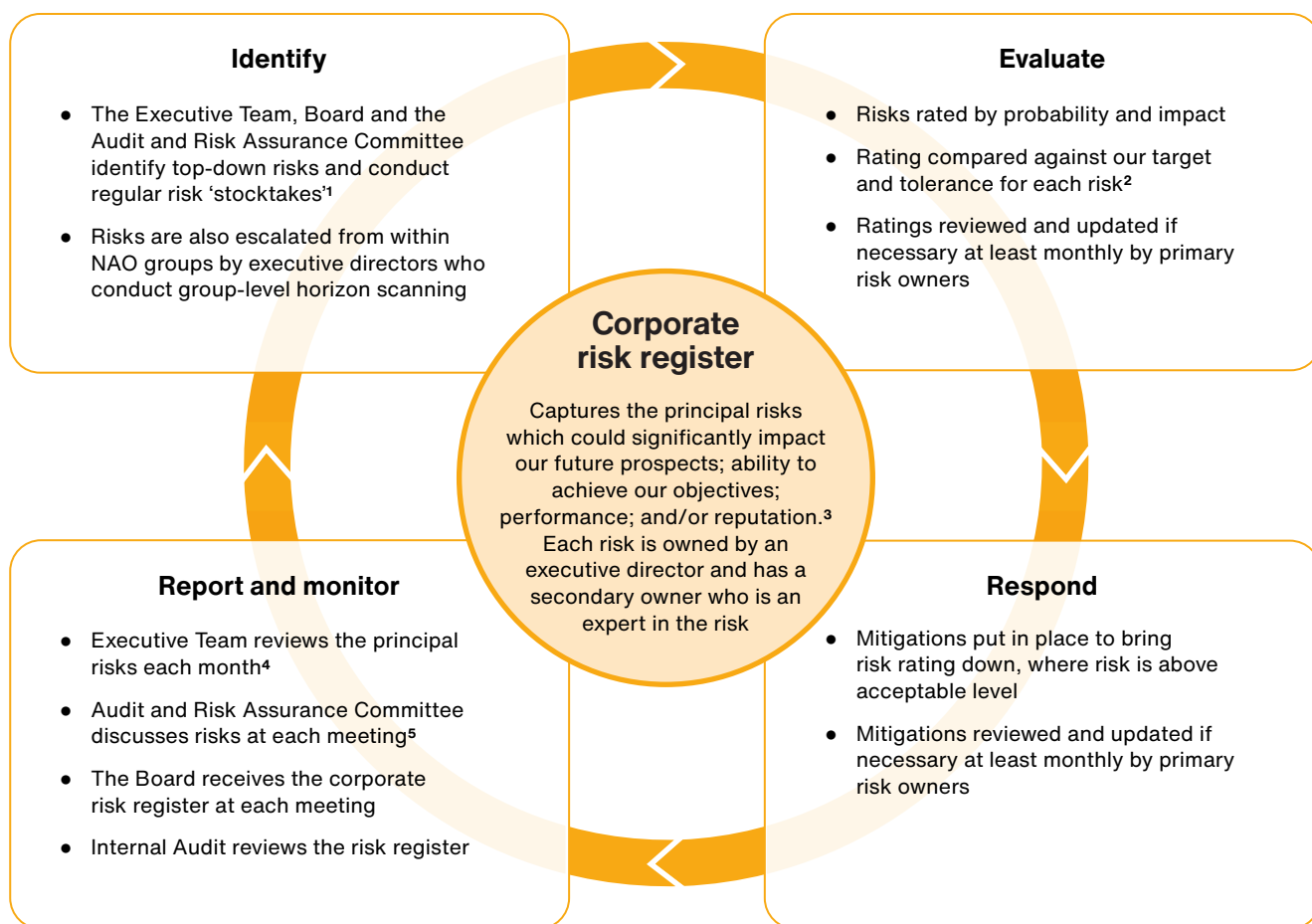
Risk management and control

2.13 Our risk management framework and processes follow the approach set out in HM Treasury’s *Orange Book*.²⁹ In 2025-26, we developed our organisational risk appetite and aligned our risks to our 2025–2030 strategy. We also adopted a revised set of guiding principles and a principal risk framework, supported by component risks (**Figure 12**). Our risk profile and principal risks are discussed in the Performance report on page 46.

Figure 12

National Audit Office (NAO) risk management process, 2025-26

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



Notes

- 1 We conduct risk stocktakes each year, usually in the autumn, to identify those risks that should move on or off the risk register.
- 2 For each risk, we set a target level, which is the level of risk within which we aim to operate, and a tolerance level, which is the level of risk we are not prepared to exceed. In last year’s annual report and accounts, our risk tolerance for each risk was called the ‘critical threshold’.
- 3 In 2025, we reviewed our risk management approach and moved to a principal risk framework. We now manage nine principal risks. These are risks that, if realised, could significantly impact our future prospects, ability to achieve our objectives, performance, and/or reputation. Principal risks are supported by a larger number of component risks.
- 4 Projects within the NAO’s change portfolio have their own risk processes using a RAID (risks, actions, issues, decisions) log, drawing on advice from the NAO’s Change & Transformation and Risk Management teams. Risks from projects are escalated to corporate risk management if they require ongoing monitoring from the Executive Team.
- 5 The Audit and Risk Assurance Committee (ARAC) discusses emerging risks, with discussions focusing on cyber and data security risks in 2025-26. In 2026-27, the ARAC intends to start a three-year programme of in-depth reviews of all principal risks, alongside discussion of inherent risk.

Source: National Audit Office risk management framework

29 Government Finance Function and HM Treasury, *The Orange Book: Management of Risk – Principles and Concepts*, May 2013, updated June 2026. Available at: <https://www.gov.uk/government/publications/orange-book>

Rental of NAO London building floor space

2.14 We comply with the Financial Reporting Council's Ethical Standards in relation to all rental arrangements with organisations where we are their auditor. We only enter into rental agreements where the rental value is immaterial to both the NAO and the tenant, and the arrangement reflects normal market conditions. We ensure that audit teams have no involvement in negotiating or managing leases, and all arrangements are disclosed transparently in our accounts and those of the audited body.

Review of effectiveness of system of risk management and internal control

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

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

- delivering an annual operational plan for 2025-26, 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.

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

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

Internal control weaknesses

2.19 There were no significant weaknesses in our system of internal controls in 2025-26 that affected the achievement of our key policies, aims and objectives.

Internal whistleblowing

2.20 NAO people and others who work for or provide services to the NAO can raise a concern without fear of reprisal. There were no internal whistleblowing concerns raised during the year (2024-25: no cases).

External complaints

- 2.21** Anyone who encounters the NAO and is unhappy or dissatisfied can complain. We publish our complaints policy and three-stage process on our website.³⁰
- 2.22** We make every effort to resolve a complaint at the first stage satisfactorily but, if we cannot, the complaint will be reviewed by a member of staff not involved with the case. In the final stage of our process, a member of the Executive Team considers the complaint. In 2025-26, we processed one complaint, resolving this at stage 1 in our process. No complaints were carried over to 2026-27.

Gareth Davies
Comptroller and Auditor General
22 June 2026



³⁰ National Audit Office, Complaints policy. Available at: <https://www.nao.org.uk/about-us/contact-us/complaints-policy/>

Remuneration and staff report

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

Remuneration policy for senior management

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

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

Non-executive Board members

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

Executive Team

2.25 The NAO's Remuneration and Nominations Committee (RemCo) agrees the remuneration of the Executive Team on the recommendation of the C&AG. Some members of the Executive Team are also executive members of the Board but do not receive additional remuneration for this role. During 2025-26, Rebecca Sheeran, Catherine Hope-MacLellan and Max Tse were executive members of the Board. **Figure 13** (audited) shows total remuneration, and its components, for the NAO Board and Executive Team.

Figure 13

Single total figure of remuneration (audited)

Name	Salary (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) ¹		Total remuneration (£000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Non-executive members of the National Audit Office (NAO) Board								
Dame Fiona Reynolds, NAO Chair	40-45	40-45	4,500	4,200	-	-	45-50	45-50
Gaenor Bagley	25-30	20-25	1,100	600	-	-	25-30	20-25
Alistair Conner	20-25	20-25	800	-	-	-	20-25	20-25
Sir Martin Donnelly	20-25	20-25	2,200	1,900	-	-	20-25	20-25
Hetan Shah	20-25	20-25	-	-	-	-	20-25	20-25
Executive Team								
Gareth Davies, Comptroller and Auditor General	235-240	235-240	-	-	-	-	235-240	235-240
Abdool Kara ²	190-195	180-185	300	300	18,000	-	205-210	180-185
Catherine Hope-MacLellan ²	155-160	150-155	200	200	61,000	59,000	220-225	210-215
Daniel Lambauer (until 29 September 2024) ^{2,3}	-	75-80 (full-year equivalent 150-155)	-	100	-	29,000	-	105-110 (full-year equivalent 180-185)
Kate Mathers ²	160-165	155-160	200	200	38,000	99,000	200-205	255-260
Laura Lucking (from 10 February 2025) ^{2,5}	80-85 (full-time equivalent 140-145)	10-15 (full-year equivalent 80-85, full-time equivalent 140-145)	100	-	183,000	31,000	265-270	40-45
Verity Prime (from 10 February 2025) ^{2,5}	80-85 (full-time equivalent 140-145)	10-15 (full-year equivalent 80-85, full-time equivalent 140-145)	100	-	144,000	24,000	225-230	35-40
Rebecca Sheeran ⁴	155-160	150-155	200	200	-	-	155-160	150-155
Max Tse ²	155-160	150-155	200	200	60,000	58,000	215-220	210-215

Figure 13 *continued*

Single total figure of remuneration (audited)

Notes

- 1 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, minus the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- 2 Pension benefits disclosed in this table are determined by the specific pension schemes enrolled in. Career average schemes accrue pension benefits as a fixed percentage of the salary earned in-year, whereas final salary pension schemes accrue pension benefits on the basis of length of service and the latest annual salary. Therefore, entitlements for individuals will differ in-year depending on what scheme they are in. Of the Executive Team, Abdool Kara, Catherine Hope-MacLellan, Daniel Lambauer and Max Tse are members of career average schemes only. Abdool Kara joined the scheme on 1 January 2026. Kate Mathers, Laura Lucking and Verity Prime are members of a final salary scheme in addition to the career average scheme.
- 3 Daniel Lambauer left the NAO and joined the Competition and Markets Authority in September 2024, which entailed continued membership of the pension scheme. The 2024-25 figures have been updated following further information from the pension scheme administrator to reflect the position at the date of leaving the NAO.
- 4 Rebecca Sheeran participates in the partnership pension scheme. This is a defined contribution scheme, and we are only required to disclose the contributions made by the NAO in the year. The total contribution made for 2025-26 was £27,000 (2024-25: £26,000).
- 5 Laura Lucking and Verity Prime are executive director job-share partners. While their salary is the same, their pension benefits reflect their different lengths of past service.
- 6 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals who were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Source: National Audit Office analysis of finance data

Salary and benefits in kind

- 2.26** ‘Salary’ includes gross salary and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the NAO and thus recorded in these accounts.
- 2.27** The monetary value of benefits in kind covers any expenditure incurred by the NAO and treated by HM Revenue & Customs (HMRC) as a taxable emolument. As part of the remuneration package, the NAO provides all its employees with additional death-in-service benefit equivalent to one year’s salary. The benefits column in Figure 13 shows the cost to the NAO of providing the death-in-service benefit to members of the Executive Team, and the associated income tax and National Insurance liability that is met by the NAO.
- 2.28** The benefits in kind disclosed for non-executive members of the Board in Figure 13 relate to travel to the NAO’s offices for Board and other committee meetings and include the associated income tax and National Insurance liability, which was met by the NAO.

Pension arrangements (including audited Cash Equivalent Transfer Value figures)

Comptroller and Auditor General

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

Executive Team

2.30 Pension benefits for executive directors are provided through the civil service pension arrangements (**Figure 14**, audited).³¹

Figure 14

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

Name	Accrued pension at pension age at 31 March 2026 and related lump sum	Real increase in pension and related lump sum at pension age	Cash Equivalent Transfer Value (CETV) at 31 March 2026	CETV at 31 March 2025 ⁴	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Abdool Kara ¹	0–5	0–2.5	19	–	15
Catherine Hope-MacLellan	25–30	2.5–5	449	374	48
Kate Mathers	70–75	2.5–5	1,451	1,350	18
Laura Lucking (from 10 February 2025)	40–45	7.5–10	688	512	144
Verity Prime (from 10 February 2025)	30–35	7.5–10	592	440	124
Max Tse	50–55	2.5–5	718	651	34

Notes

- 1 Abdool Kara joined the career average pension scheme from 1 January 2026.
- 2 Rebecca Sheeran participates in the partnership pension scheme. This is a defined contribution scheme, and we are only required to disclose the contribution made in the year rather than the information in the table above. The total employer contribution made for 2025-26 was £27,000 (2024-25: £26,000).
- 3 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals who were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.
- 4 The CETV figures at 31 March 2025 have been restated to reflect updated information provided by the pension scheme administrator.

Source: National Audit Office analysis of pension data

31 Details of the civil service pension arrangements can be found at: www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Value

2.31 A Cash Equivalent Transfer Value (CETV) is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued from that former scheme. It is the actuarially assessed capitalised value of benefits accrued by a member at a particular point in time and includes the member's accrued benefits and any contingent spouse's pension payable from the scheme. The figures shown in Figure 14:

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

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

Real increase in CETV

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

Fair pay

2.34 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median, 25th percentile and 75th percentile remuneration of the organisation's workforce. Total pay and benefits includes the employee's full-time equivalent salary, allowances, performance pay or bonuses payable, and non-cash benefits, but it excludes pension benefits. Neither the highest- paid individual nor any NAO employees received performance pay or bonuses in 2025-26 (2024-25: nil) and there are no non-salary components in the total pay and benefits figures disclosed (2024-25: nil). There has been no significant change over the last year in the NAO's employment models or the proportion of the workforce that is not employed by the NAO under contracts of service. No NAO employee worked wholly or mainly outside the UK in 2025-26 (2024-25: nil) and no employee received remuneration (salary and allowances) in excess of the highest- paid individual in 2025-26 (2024-25: nil).

2.35 **Figure 15** shows that the 25th percentile, median and 75th percentile pay ratios have decreased since last year because of general increases in staff salaries as a result of the annual pay award. The average percentage change in salary and allowances of 3.4% reflects movements in the pay, reward, recruitment, grading and progression policies for NAO employees agreed with TPAC as part of the Estimate

Figure 15

Fair pay disclosures (audited)

		2025-26	2024-25
Remuneration banding for highest-paid individual (salary and allowances)		£235,000 to £240,000	£235,000 to £240,000
Percentage change from the previous financial year for highest paid individual		0%	4.4%
75 th percentile	Total pay and benefits	£78,277	£75,601
	Pay ratio	3.03	3.14
Median	Total pay and benefits	£63,475	£61,928
	Pay ratio	3.74	3.84
25 th percentile	Total pay and benefits	£44,211	£41,396
	Pay ratio	5.37	5.74
Average percentage change in salary and allowances from the previous financial year for all National Audit Office employees (excluding the highest-paid individual)		3.4%	0.09%
Remuneration range		£23,600 – £235,000 to £240,000	£21,500 – £235,000 to £240,000

Note

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

Source: National Audit Office analysis of finance data

NAO staff remuneration policy

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

Staff numbers and related costs (audited)

2.37 **Figures 16** and **17** show the average number of staff employed during the year and their costs. Data on the composition of our staff, on the results of our People Survey and on sickness absence are included in pages 41 to 43 of the Performance report.

Figure 16

National Audit Office staff numbers (audited)

	2025-26	2024-25
Full-time equivalent permanent staff	1,084	1,014
Temporary staff	16	13
Inward secondees	1	1
Total	1,101	1,028

Note

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

Source: National Audit Office analysis of finance data

Figure 17

National Audit Office staff costs (audited)

	2025-26			2024-25		
	Total (£000)	Permanent (£000)	Temporary (£000)	Total (£000)	Permanent (£000)	Temporary (£000)
Wages and salaries	74,098	71,433	2,665	66,157	63,913	2,244
Social security costs	9,923	9,923	-	7,658	7,658	-
Pension costs	19,791	19,791	-	17,884	17,884	-
Gross cost	103,812	101,147	2,665	91,699	89,455	2,244
Secondment income	(519)	(519)	-	(261)	(261)	-
Net cost	103,293	100,628	2,665	91,438	89,194	2,244

Source: National Audit Office analysis of finance data

Staff turnover

2.38 **Figure 18** shows staff turnover rates using the Cabinet Office’s methodology.³²

Figure 18

Percentage turnover by audit grade, 2025-26

Turnover was below target level for all grades

Grade	Target (%)	Actual (%)	
	2025-26	2025-26	2024-25
Senior management	10	3	5
Senior Audit Manager	7	2	4
Audit Manager	7	1	5
Senior Auditor and Senior Audit Associate	20	7	12
Senior Analyst	12	6	4
Analyst	16	15	8
Trainee	10	6	8

Notes

- 1 Rates rounded to the nearest whole percent. Turnover is where staff leave the National Audit Office (NAO). The Cabinet Office second category of departmental turnover (staff leaving the civil service or a particular civil service department) does not apply to the NAO, as an independent organisation.
- 2 The ‘senior management’ category includes directors and executive directors. The target rate applies to directors only.
- 3 Data are for the 12 months to 31 March 2026 and for the 12 months to 31 March 2025.

Source: National Audit Office analysis of Human Resources data

³² Cabinet Office, *Turnover in the Civil Service: Guidance on calculation*, 2019. Available at: <https://www.gov.uk/government/publications/turnover-in-the-civil-service>

NAO staff pension arrangements

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

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

2.40 From 1 April 2015, a new defined benefit pension scheme for civil servants was introduced: the Civil Servants and Others Pension Scheme (Alpha), which provides benefits on a career average basis. All newly appointed civil servants wishing to participate in defined benefit pension arrangements, and the majority of those already in service, are in the new scheme. Employees may also opt for a defined contribution pension with an employer contribution, called the partnership pension account (see paragraph 2.47).

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

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

2.43 The pension figures in this report show pension earned in PCSPS or Alpha, as appropriate. Figure 14 shows the accrued pension that the member is entitled to receive when they reach their normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of Alpha. Where a member has benefits in both the PCSPS and Alpha, the figures show the combined value of their benefits in the two schemes, but the constituent parts of that pension may be payable from different ages.

The public service pensions remedy

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

- 2.45** As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts.³³ The first part closed the PCSPS on 31 March 2022, with all active members becoming members of Alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as 'rollback'.
- 2.46** For members who are in scope of the public service pensions remedy, the calculation of their benefits for the purpose of calculating their CETV and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or Alpha benefits, the figures show the rolled back position, that is the PCSPS benefits for that period.

Partnership pension account

- 2.47** The partnership pension account is an occupational defined contribution pension and is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but the employer will also match employee contributions up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).
- 2.48** Further details on the civil service pension arrangements can be found here: www.civilservicepensionscheme.org.uk/

Exit packages

- 2.49** We offer compensation when colleagues agree to leave the organisation in circumstances where the departure provides an opportunity to refresh our skills base and reduce our costs. Exit packages include compulsory redundancies, voluntary exits (such as voluntary redundancy and early retirement), and other agreed departures. Exit costs are accounted for in full in the year that the departure is agreed. We operated a voluntary exit scheme in 2025-26 to ensure that our skills mix was aligned with our strategy. Details of the packages agreed in 2025-26 and associated ex-gratia payments are shown in **Figure 19**.
- 2.50** These redundancy and other departure costs are typically paid in accordance with the provisions of the Civil Service Compensation Scheme (the Scheme), a statutory scheme made under the Superannuation Act 1972. On some occasions, however, there may be a strong business rationale for agreeing settlement terms outside of the provisions of the Scheme. Of the 19 exit packages we agreed in 2025-26 (2024-25: eight), two were agreed outside the terms of the Scheme (2024-25: seven), totalling £128,000 (2024-25: £176,000).
- 2.51** There were no early retirement agreements in 2025-26 (2024-25: nil).

³³ HM Revenue & Customs, *How the public service pensions remedy affects your pension*, updated May 2025. Available at: <https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension>

Figure 19

Compensation packages offered during 2025-26 (audited)

Nineteen exit packages were agreed in the year

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2025-26 (2024-25)	2025-26 (2024-25)	2025-26 (2024-25)
<£10,000	- (-)	1 (1)	1 (1)
£10,000-£25,000	- (-)	4 (3)	4 (3)
£25,001-£50,000	- (-)	4 (3)	4 (3)
£50,001-£100,000	- (1)	10 (-)	10 (1)
£100,001-£150,000	- (-)	- (-)	- (-)
£150,001-£200,000	- (-)	- (-)	- (-)
Total number of exit packages	- (1)	19 (7)	19 (8)
Total cost (£000)			1,078 (236)

Note

1 We operated a voluntary exit scheme in 2025-26 to ensure that our skills mix was aligned with our strategy.

Source: National Audit Office analysis of finance data

Off-payroll engagements

2.52 We make use of temporary staff to supplement the resourcing of our financial audit work where shortfalls arise because of unexpected resignations or to help manage peak periods of work. We also, from time to time, engage individuals to provide specialist commercial, digital or project management expertise. As part of the engagement process, we consider whether these individuals are subject to off-payroll legislation (**Figures 20** and **21**).

Figure 20

Highly paid off-payroll worker engagements, as at 31 March 2026, earning £245 per day or greater

Number of existing engagements as of 31 March 2026	24
Of which, number that existed:	
Less than one year	24
For between one and two years	-
For between two and three years	-
For between three and four years	-
For four or more years	-

Source: National Audit Office analysis of finance data

Figure 21

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2026, earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2026	60
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	56
Subject to off-payroll legislation and determined as out-of-scope of IR35	4
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which: number of engagements that saw a change to IR35 status following review	-

Source: National Audit Office analysis of finance data

2.53 There were no off-payroll engagements of Board members or senior officials with significant financial responsibility between 1 April 2025 and 31 March 2026.

Expenditure on consultancy

2.54 We spent £0.8 million on consultancy in 2025-26 (2024-25: £0.6 million), receiving advice in areas such as the delivery of IT improvements and AI strategy, specialist legal opinion and technical advice to inform options to secure a more efficient and resilient London building. These are areas where it does not make sense for the NAO to hold this expertise in-house.

Diversity and inclusion

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

Equality, fairness and support

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

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

Parliamentary accountability and audit report

Statement of Outturn against Parliamentary Supply

- 2.58** In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual asks that we prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. See **Figures 22 to 27** (pages 91 to 94). The SOPS provides a detailed view of financial performance in a form that is voted on and recognised by Parliament. The section on ‘Financial performance’ in the Performance report summarises outturn against Estimate and is an introduction to the SOPS disclosures.
- 2.59** The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate.³⁴ Its format mirrors the Supply Estimate to enable comparison between what Parliament approves and the final outturn. The SOPS includes a summary table detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration. The supporting notes also include:
- outturn by Estimate line, providing a more detailed breakdown (SOPS1);³⁵
 - a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOPS to the financial statements (SOPS2); and
 - a reconciliation of outturn to net cash requirement (SOPS3).
- 2.60** The SOPS and supporting notes are subject to audit, as detailed in the Independent Auditor’s Certificate and Report to the House of Commons.

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

35 The SOPS and Estimate are compiled against the budgeting framework, which is similar to, but different from, IFRS. Information on the Public Spending Framework and the reasons why budgeting rules are different from IFRS can be found in chapter 1 of the Consolidated Budgeting Guidance, available at: <https://www.gov.uk/government/collections/consolidated-budgeting-guidance>

Figure 22

Statement of Outturn against Parliamentary Supply (SOPS), 2025-26 (audited)

Type of spend	SOPS note	Outturn			Estimate			Outturn vs Estimate: saving/ (excess)		Prior year outturn 2024-25
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	
Departmental Expenditure Limit										
Resource	1.1	110,306	324	110,630	112,200	350	112,550	1,894	1,920	100,531
Capital	1.2	3,767	-	3,767	4,000	-	4,000	233	233	4,219
Total budget expenditure		114,073	324	114,397	116,200	350	116,550	2,127	2,153	104,750
Non-budget expenditure		-	-	-	-	-	-	-	-	-
Total budget and non-budget		114,073	324	114,397	116,200	350	116,550	2,127	2,153	104,750

Notes

- 1 All figures are presented in £000s.
- 2 Figures in the shaded columns cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual for detail on the control limits voted by Parliament, available at: https://assets.publishing.service.gov.uk/media/5a7bfe29e5274a7318b905ef/estimates_manual_july2011.pdf
- 3 All National Audit Office resources are deemed equivalent to Resource DEL or Capital DEL (Departmental Expenditure Limit).

Source: National Audit Office analysis of finance data

Figure 23

Net cash requirement, 2025-26 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior year outturn total 2024-25
Net cash requirement	3	111,163	111,700	537	100,551

Note

- 1 All figures are presented in £000s.

Source: National Audit Office analysis of finance data

Figure 24

Programme costs, 2025-26 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/(excess)	Prior year outturn total 2024-25
Programme costs	1.1	110,306	112,200	1,894	100,216

Notes

- All figures are presented in £000s.
- Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Source: National Audit Office analysis of finance data

Notes to the Statement of Outturn against Parliamentary Supply

SOPS1. Outturn detail, by Estimate line

Figure 25

SOPS1.1 Analysis of resource outturn by Estimate line, 2025-26 (audited)

Type of spend (Resource)	Resource outturn			Estimate	Outturn vs Estimate: saving/(excess)	Prior year outturn 2024-25
	Gross	Income	Net total			
Spending in Departmental Expenditure Limit (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	147,076	(36,770)	110,306	112,200	1,894	100,216
Total voted DEL	147,076	(36,770)	110,306	112,200	1,894	100,216
Non-voted expenditure						
B – The Chair and the Comptroller and Auditor General costs	324	-	324	350	26	315
Total non-voted DEL	324	-	324	350	26	315
Total spending in DEL	147,400	(36,770)	110,630	112,550	1,920	100,531

Note

- All figures are presented in £000s.

Source: National Audit Office analysis of finance data

Figure 26

SOPS1.2 Analysis of capital outturn by Estimate line, 2025-26 (audited)

Type of spend (Capital)	Capital outturn			Estimate Net total	Outturn vs Estimate: saving/ (excess)	Prior year outturn 2024-25 Net total
	Gross	Income	Net total			
Spending in Departmental Expenditure Limit (DEL)						
Voted expenditure						
A – Provision of audit and other assurance services	3,767	-	3,767	4,000	233	4,219
Total voted DEL	3,767	-	3,767	4,000	233	4,219

Note

1 All figures are presented in £000s.

Source: National Audit Office analysis of finance data

SOPS2. Reconciliation of resource outturn to net operating expenditure

2.61 No reconciliation is required as total resource outturn in the SOPS is the same as net operating expenditure in the SOCNE.

SOPS3. Reconciliation of net resources to net cash requirement

Figure 27

SOPS3 Reconciliation of net resources to net cash requirement, 2025-26 (audited)

Item	SOPS note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)
Total resource outturn	1.1	110,630	112,550	1,920
Total capital outturn	1.2	3,767	4,000	233
Accruals to cash adjustments				
Adjustments to remove non-cash items				
Depreciation		(4,678)	(4,500)	178
Change in provisions		(55)	1	56
Other non-cash items		164	-	(164)
Adjustments to reflect movements in working balances				
Increase/(decrease) in receivables		2,909	(150)	(3,059)
(Increase)/decrease in payables		(1,260)	149	1,409
Use of provisions		10	-	(10)
Total		111,487	112,050	563
Removal of non-voted budget items				
Consolidated Fund Standing Services		(324)	(350)	(26)
Net cash requirement		111,163	111,700	537

Notes

- 1 All figures are presented in £000s.
- 2 The outturn and the Estimate are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Source: National Audit Office analysis of finance data

Fees and charges (audited)

2.62 We charge fees for our audit work and other services where permitted under legislation and set these to cover the planned cost of the service using a Scheme of Fees approved by the Public Accounts Commission, also following HM Treasury guidance in [Managing Public Money](#). We plan not to profit at the expense of the public body receiving our services but aim to avoid making a loss. **Figure 28** records our fees and charges and shows that we did not recover our costs fully from fees charged during the financial year for our audit and assurance work. Our net deficit of £5.3 million (2024-25 restated: £5.8 million) reflects a £6.0 million deficit from our audit and assurance work (2024-25 restated £6.5 million) which is partly offset by surpluses from rental and secondment income of £0.8 million (2024-25 £0.7 million).

Figure 28

Fees and charges (audited)

	Income	Expenditure	Surplus/(deficit)
2025-26	(£000)	(£000)	(£000)
Audit and assurance work ^{1,2,3}	33,685	39,733	(6,048)
Secondment income	519	452	67
Rental of office space ⁴	2,450	1,745	705
Grant income	116	116	-
Total	36,770	42,046	(5,276)
2024-25 (restated)¹			
Audit and assurance work ^{1,2,3}	29,676	36,169	(6,493)
Secondment income	261	164	97
Rental of office space ⁴	2,053	1,495	558
Grant income	93	93	-
Total	32,083	37,921	(5,838)

Notes

- 1 During preparation of the 2025-26 fees and charges calculations, we identified a miscalculation in the prior-year comparator for audit and assurance work. We have restated 2024-25 expenditure from £35,486,000 to £36,169,000 and the deficit from £5,810,000 to £6,493,000. This change has no bearing on the Financial statements.
- 2 Income from audited bodies reported in the Financial statements is affected by movement in provision for future deficits, a provision which is required by accounting standards.
- 3 The National Audit Office is unable to recover VAT on expenditure incurred in delivering statutory audit work. Of the £6,048,000 total deficit in Audit and assurance work, £4,874,000 relates to statutory audit work (2024-25 restated: £6,493,000 total deficit and £4,323,000 deficit on statutory audit work). If non-recoverable VAT of £1,132,000 is excluded from statutory audit expenditure, the total deficit in Audit and assurance work would be £4,916,000 and the deficit in statutory audit work would be £3,742,000 (2024-25 restated: VAT £1,099,000, £5,394,000 total deficit and £3,225,000 deficit on statutory audit work).
- 4 Rental income is earned in line with agreed rental rates for office space per square foot, with any rent-free period amortised over the period of the lease. Any surplus on rental income is subject to corporation tax.

Source: National Audit Office analysis of finance data

2.63 The deficit on our audit and assurance work arises because our legislation prevents us from recovering VAT on expenditure incurred in delivering statutory audit work. It also reflects historical deficits for some audited bodies that we are working to reduce over time. At the same time, we do not pass all our costs on to smaller bodies when managing additional audit regulatory requirements. We expect to reduce our deficit further over the coming years through a more proportionate audit approach for smaller bodies and reduced costs through use of technology and automation (see notes to Figure 28).

Losses and special payments (audited)

Losses (audited)

2.64 There were no losses that require disclosure because of their size or nature in 2025-26 (2024-25: nil).

Special payments (audited)

2.65 There were no special payments that require disclosure because of their size or nature in 2025-26 (2024-25: £340,953).

Regularity of expenditure (audited)

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

Gareth Davies
The Comptroller and Auditor General
22 June 2026

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

Opinion on financial statements

We certify that we have audited the financial statements of the National Audit Office ('NAO') for the year ended 31 March 2026, which comprise the Statement of Comprehensive Net Expenditure, Statement Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted and interpreted by the government Financial Reporting Manual (FReM).

In our opinion the financial statements:

- give a true and fair view of the state of the NAO's affairs as at 31 March 2026 and of the NAO's Statement of Comprehensive Net Expenditure for the year then ended;
- have been properly prepared in accordance with international Financial Reporting Standards (IFRS) as adopted and interpreted by the government Financial Reporting Manual (FReM) and
- have been prepared in accordance with the Budget Responsibility and National Audit Act 2011.

Opinion on regularity

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

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary Control Totals for the year ended 31 March 2026 and shows these totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Basis for opinions

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters

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

- the part of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited has been properly prepared in accordance with guidance issued by HM Treasury; and
- the information given in the Performance Report and the unaudited part of the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance issued by HM Treasury.

Responsibilities of the Accounting Officer

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the NAO operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Budget Responsibility and National Audit Act 2011 and the Government Financial Reporting Manual (FReM 25/26) which applies UK adopted IAS. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

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

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

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

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

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

Date: 22 June 2026



03

**Financial
statements**

Statement of Comprehensive Net Expenditure for the period ended 31 March 2026

		2025-26	2024-25
	Note	(£000)	(£000)
Contract income	6	(33,685)	(29,676)
Rental income	6	(2,450)	(2,053)
Other income	6	(635)	(354)
Total operating income		(36,770)	(32,083)
Staff costs	3	103,812	91,699
Purchase of goods and services	4	38,607	36,265
Non-cash costs	5	4,803	4,430
Tax expense		178	220
Total operating expenditure		147,400	132,614
Net operating expenditure for the year		110,630	100,531
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
Net loss/(gain) on revaluation of property, plant and equipment		(4,680)	(1,063)
Total comprehensive net expenditure for the year		105,950	99,468

The notes on pages [106](#) to [132](#) form part of these accounts.

Statement of Financial Position as at 31 March 2026

		2025-26		2024-25	
	Note	(£000)	(£000)	(£000)	(£000)
Non-current assets:					
Right-of-use assets	7	76,606		72,908	
Property, plant and equipment	7	21,435		21,052	
Intangible assets	8	3,755		4,137	
Receivables falling due after one year	9	311		344	
Total non-current assets			102,107	98,441	
Current assets:					
Trade and other receivables	9	9,862		6,616	
Contract assets – accrued income	9	2,535		2,839	
Cash and cash equivalents		58		421	
Total current assets			12,455	9,876	
Total assets			114,562	108,317	
Current liabilities:					
Trade and other payables	10	(8,556)		(8,261)	
Contract liabilities – payments received on account	10	(1,623)		(1,021)	
Lease liabilities	11	(242)		(234)	
Provisions		(131)		(86)	
Total current liabilities			(10,552)	(9,602)	
Total assets less current liabilities			104,010	98,715	
Non-current liabilities:					
Lease liabilities	11	(1,249)		(1,491)	
Provisions		(187)		(187)	
Total non-current liabilities			(1,436)	(1,678)	
Total assets less liabilities			102,574	97,037	
Taxpayers' equity and other reserves:					
General fund			41,191	38,446	
Revaluation reserve			61,383	58,591	
Total equity			102,574	97,037	

The notes on pages [106](#) to [132](#) form part of these accounts.

Gareth Davies

The Comptroller and Auditor General authorised these financial statements for issue on 22 June 2026

Statement of Cash Flows for the period ended 31 March 2026

		2025-26	2024-25
	Note	(£000)	(£000)
Cash flows from operating activities:			
Net operating expenditure for the year		(110,630)	(100,531)
Adjustments for non-cash transactions	5	4,803	4,430
(Increase)/decrease in trade and other receivables	9	(3,213)	611
(Increase)/decrease in contract assets	9	304	(1,166)
Increase/(decrease) in trade and other payables	10	1,144	65
Increase/(decrease) in contract liabilities	10	602	264
Other working capital movements not passing through the Statement of Comprehensive Net Expenditure		-	(56)
Change in provisions		45	86
Net cash outflow from operating activities		(106,945)	(96,297)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(3,530)	(2,843)
Purchase of intangible assets	8	(237)	(1,376)
Increase/(decrease) in non trade payables	10	(486)	10
Net cash outflow from investing activities		(4,253)	(4,209)
Cash flows from financing activities:			
From the Consolidated Fund (Supply) – current year		110,800	100,700
Consolidated Fund Standing Services	4	324	315
Cash repayments of principal on leases		(289)	(360)
Net financing		110,835	100,655
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(363)	149
Cash and cash equivalents at the beginning of the year		421	272
Cash and cash equivalents at the end of the year		58	421

The notes on pages [106](#) to [132](#) form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2026

		General fund	Revaluation reserve	Total reserves
	Note	(£000)	(£000)	(£000)
Changes in taxpayers' equity				
Balance at 31 March 2024		36,417	59,222	95,639
Net Parliamentary Funding drawn down		100,700	-	100,700
Net Parliamentary Funding deemed		272	-	272
Supply payable adjustment		(421)	-	(421)
Consolidated Fund standing services	4	315	-	315
Comprehensive net expenditure for the year		(100,531)	1,063	(99,468)
Realised element of revaluation reserve		1,694	(1,694)	-
Balance at 31 March 2025		38,446	58,591	97,037
Net Parliamentary Funding drawn down		110,800	-	110,800
Net Parliamentary Funding deemed		421	-	421
Supply payable adjustment		(58)	-	(58)
Consolidated Fund standing services	4	324	-	324
Comprehensive net expenditure for the year		(110,630)	4,680	(105,950)
Realised element of revaluation reserve		1,888	(1,888)	-
Balance at 31 March 2026		41,191	61,383	102,574

The notes on pages [106](#) to [132](#) form part of these accounts.

Notes

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

Notes to the Financial Statements

1. Accounting policies, key accounting estimates and judgements

1.1 Statement of accounting policies

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

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

1.2 Basis of preparation

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

1.3 Initial application of reporting standards during 2025-26

1. IFRS 17 (Insurance Contracts)

IFRS 17 (Insurance Contracts) was issued in May 2017, replacing IFRS 4 (Insurance Contracts) and became effective in the public sector on 1 April 2025. IFRS 17 requires that insurance liabilities be measured at the present value of future insurance cash flows, resulting in more uniform measurements and presentation for all insurance contracts.

The NAO has not issued any insurance contracts, so initial application of IFRS 17 has no impact on the financial statements.

2. Non-investment asset valuations

The 2025-26 FReM adapted and interpreted International Accounting Standard (IAS) 16 as follows:

- a) References to assets being held for their 'service potential' and the terms 'specialised/non-specialised' assets were removed from the FReM. Non-investment assets are instead described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of non-investment assets, which remains Existing Use Value (EUUV).
- b) An adaptation to IAS 16 was introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:
 - a quinquennial revaluation supplemented by annual indexation;

- a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years;
 - for non-property assets only, appropriate indices;
 - in rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three.
- c) The option to measure intangible assets using the revaluation model has been withdrawn. The carrying values of intangible assets at 31 March 2025 have been considered the historical cost at 1 April 2025.

The NAO recognises its London property, which has a 130-year lease, as a right-of-use asset and measures it using the revaluation model in accordance with IAS 16. The NAO commissions an independent professional valuer to assess the property's value annually, using a cycle that consists of a full valuation every five years, supplemented by desktop valuations in the intervening four years.

The valuation comprises separate assessments of the land, building structure, and plant and machinery components, which together represent approximately 80% of the NAO's gross assets. Professional judgement is required in determining the fair values and useful economic lives of these components, which range from 8 to 60 years. Given the materiality and complexity involved, the NAO will continue to obtain annual professional valuations for its London property in line with the established cycle and will not adopt the simplified valuation approaches permitted by the FReM. This approach remains compliant with the FReM.

The NAO recognises intangible assets at cost, less amortisation and assesses for impairment annually as set out in Note 1.16. Therefore, the withdrawal of the option to revalue intangible assets has no impact on the NAO's financial statements.

3. Social benefits

The 2025-26 FReM introduced guidance on social benefits, defined as current transfers to households to meet needs arising from events such as sickness, unemployment, or retirement. The NAO does not incur any expenditure classified as social benefit payments, and so initial application of these requirements has no impact on the NAO Financial statements.

1.4 Reporting standards issued but not yet effective

There are two reporting standards issued but not yet effective:

1. IFRS 18 (Presentation and Disclosure in Financial Statements)

IFRS 18 was issued in April 2024 and will replace IAS 1 (Presentation of Financial Statements) for accounting periods beginning on or after 1 January 2027 (the 2027-28 financial year for the NAO). The Standard introduces new requirements for how entities present and explain their financial performance and financial position.

Under IFRS 18:

- the statement of financial performance must follow a prescribed structure, with income and expenses classified into operating, investing, financing, tax and discontinued operations;
- entities must present specified totals and sub-totals that follow this classification framework; and

- entities must disclose certain management performance measures that are not required by IFRS but are included in public communications to communicate management's view of financial performance.

The impact of implementing IFRS 18 on the NAO's Financial statements cannot yet be assessed until HM Treasury communicates how it intends to adopt IFRS 18 in the FReM. The final effect will depend on the interpretations and adaptations included in future editions of the FReM. At the date these financial statements were authorised for issue, HM Treasury had not yet confirmed an effective date for public sector implementation of IFRS 18.

2. IFRS 19 (Subsidiaries without Public Accountability: Disclosures)

IFRS 19 was issued in May 2024 and is effective for accounting periods beginning on or after 1 January 2027 (the 2027-28 financial year for the NAO). The Standard provides reduced disclosure requirements for certain subsidiaries when preparing their financial statements.

The NAO is not a subsidiary and does not have any subsidiaries. Therefore, IFRS 19 is not expected to have any impact on the NAO's Financial statements.

1.5 Financing

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

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

Accounting policies for expenditure

1.6 Staff costs

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

1.7 Pensions

Most past or present employees are covered by the provisions of the Civil Service pension arrangements, which are defined benefit schemes open to participating public sector bodies in which the benefit the employee receives during retirement is dependent on factors such as age, length of service and salary. These schemes are now administered by Capita, from 1 December 2025, on behalf of the Cabinet Office (previously administered by MyCSP). The NAO pays contributions into these schemes at an agreed rate. As one of many participating organisations, the NAO cannot identify its share of any liability for making future pension payments to members and accordingly, the NAO accounts for this as if it were a defined contribution scheme and recognises the costs of these contributions when they fall due.

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

1.8 Early departure costs

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

1.9 VAT on purchases

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

1.10 Corporation tax

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

Accounting policies for income

1.11 Revenue from contracts with customers

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

1.12 Secondment income

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

1.13 Rental income

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

1.14 Apprenticeship Levy

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

1.15 VAT on sales

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

Accounting policies for assets and liabilities

1.16 Property, plant and equipment and intangible assets

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

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

Property, plant and equipment

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

Remaining asset lives are in the following ranges:

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

Intangible assets

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

Asset lives are in the following ranges:

Internally developed software	10 years
Software licences	2–10 years

Software licences

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

Internally developed software

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

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

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

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

Cloud computing services

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

1.17 Cash and cash equivalents

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

1.18 Contract receivables and trade receivables

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

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

1.19 Contract assets (accrued income) and liabilities (payment on account)

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

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

1.20 Leases

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

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

The NAO does not have any other material leases.

Accounting estimates and judgements

1.21 Contract assets (accrued income) – management estimate

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

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

1.22 Property valuation – management judgement

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

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

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

1.23 Audit Transformation Programme – management judgement

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

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

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

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

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

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

Amortisation is charged on audit software assets over their useful economic lives, commencing from the date each component part of the system first came into general use by the NAO's financial auditors.

The ATP became fully operational across all its components in 2025-26. The carrying value of all capital items relating to the ATP were reviewed as at 31 March 2026 for indicators of impairments and management has accounted for any impairment of the asset.

2 National Audit Office operating segments

	2025-26							Total
	Value for money			International relations	Comptroller function	Voted	Non-voted	
	Financial audit	Value for money reporting	Insights					
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	
Gross expenditure	109,315	20,928	7,987	7,117	1,539	190	324	147,400
Contract income	(33,389)	-	-	-	(296)	-	-	(33,685)
Other income	(2,293)	(432)	(174)	(149)	(32)	(4)	-	(3,085)
Net expenditure	73,633	20,489	7,819	6,968	1,211	186	324	110,630
	2024-25							Total
	Value for money			International relations	Comptroller function	Voted	Non-voted	
	Financial audit	Value for money reporting	Insights					
(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	
Gross expenditure	96,844	20,706	7,081	5,621	1,883	164	315	132,614
Contract income	(29,238)	-	-	-	(438)	-	-	(29,676)
Other income	(1,762)	(377)	(129)	(102)	(34)	(3)	-	(2,407)
Net expenditure	65,844	20,329	6,952	5,519	1,411	161	315	100,531

Notes

- Voted expenditure and income is allocated to the NAO by a Parliamentary vote each year through the Supply and Appropriation Act. The NAO reports the use of this expenditure and income under its main operating segments, about which further information can be found in the Performance report on pages [55](#) to [59](#).
- Non-voted expenditure comprises the Comptroller and Auditor Generals 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.
- Contract income includes fees charged on UK and international audits, costs recovered on the NAO's outward secondment programme to support Parliament and other government bodies, and fees charged for some of the NAO's international relations work. Other income cannot be directly attributed to the NAO's operating segments and has been apportioned between them in line with gross expenditure. In accordance with the FReM, public sector bodies are deemed to be under common control and therefore, for the purpose of IFRS 8, the NAO has considered these to be a single customer. During the 2025-26 financial year, £33.4 million (2024-25: £28.7 million); of the NAO's income depended on public sector bodies deemed to be under common control and considered a single customer in the Financial Audit operating segment.
- The chief operating decision body of the NAO is considered to be the Executive Team and details of its membership can be found on pages [64](#) to [67](#). The Executive Team does not receive information on assets and liabilities by operating segment because their integrated nature means we cannot meaningfully allocate them across our different segments. For this reason, in line with IFRS 8 (Operating Segments), no such analysis is presented here.

3 Staff costs¹

	2025-26			2024-25		
	Total	Permanent	Temporary	Total	Permanent	Temporary
	(£000)	(£000)	(£000)	(£000)	£000	£000
Wages and salaries	74,098	71,433	2,665	66,157	63,913	2,244
Social security costs	9,923	9,923	-	7,658	7,658	-
Pension costs	19,791	19,791	-	17,884	17,884	-
Gross costs	103,812	101,147	2,665	91,699	89,455	2,244
Secondment income	(519)	(519)	-	(261)	(261)	-
Net costs	103,293	100,628	2,665	91,438	89,194	2,244

Note

1 Details on staff numbers and related costs can be found in the Remuneration and staff report on pages [77](#) to [89](#).

4 Purchase of goods and services

	2025-26		2024-25	
	(£000)	(£000)	(£000)	(£000)
Professional services ¹	19,448		18,732	
Audit technology	944		1,306	
Facilities management	7,635		6,719	
Travel, subsistence, hospitality	1,304		1,438	
Digital services	5,834		4,986	
Recruitment and training	1,354		1,390	
Staff-related costs	922		897	
External auditors – audit fee	70		75	
– other work	78		89	
Other administration costs	1,370		1,126	
Operating lease rentals	234		210	
VAT recoverable ²	(910)		(1,018)	
Total voted costs		38,283		35,950
Comptroller and Auditor General salary ³	273		267	
Chair salary ³	51		48	
Total non-voted costs		324		315
		38,607		36,265

Notes

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

5 Non-cash costs

	2025-26		2024-25	
	(£000)	(£000)	(£000)	(£000)
Depreciation on right-of-use assets	1,068		1,032	
Depreciation on plant and machinery	1,448		1,244	
Depreciation on computers and furniture	1,613		1,676	
Impairment of assets	70		-	
Amortisation on intangible assets	549		405	
Total depreciation		4,748		4,357
Loss on disposal	-		12	
Interest on lease liabilities	55		61	
Total non-cash costs		4,803		4,430

6 Income

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

Identification of a contract

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

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

Identification of performance obligations

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

Determination of when performance obligations are satisfied

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

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

6 Income *continued*

Allocation of transaction price to performance obligations

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

	2025-26	2024-25
	(£000)	(£000)
Contract income		
Audit and assurance		
Statutory audit income	18,081	15,759
Agreement audit income	5,160	5,009
Companies Act audit income	10,148	8,470
	33,389	29,238
International relations	296	438
Total contract income	33,685	29,676
Other income		
Secondment income	519	261
Rental of office space	2,450	2,053
Grant income	116	93
Total other income	3,085	2,407
Total income	36,770	32,083

Notes

- 1 Included within contract income earned for the year is £953,000 (2024-25: £747,000) which had been received in advance at the last reporting date and had been included as a contract liability (payment on account) in the prior year Statement of Financial Position.
- 2 Included within contract income is £1,134,000 in relation to changes in fee quotes to audits that were in progress at the previous reporting date. The effect of these changes has been included in the revenue figure for the year. The prior year equivalent was an increase of £2,846,000.
- 3 As at the current reporting date, we expect to earn future income of £20,984,000 (2024-25: £19,479,000) for audits which are currently in progress. The typical audit cycle is a year and therefore we expect to recognise the majority of this income in the next reporting period.

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

2025-26	Right-of-use assets				Property, plant and equipment			Total
	London office (land element)	London office (building element)	Newcastle office	Total	Plant and machinery	Computers and other equipment	Furniture, fixtures and fittings	
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Cost or valuation								
At 1 April 2025	38,451	32,679	2,468	73,598	17,833	6,748	3,789	28,370
Additions	-	725	-	725	1,133	1,354	322	2,809
Disposals	-	-	-	-	-	(572)	(934)	(1,506)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	3,453	(251)	-	3,202	(611)	-	-	(611)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2026	41,904	33,153	2,468	77,525	18,355	7,530	3,177	29,062
Depreciation								
At 1 April 2025	-	-	690	690	278	4,239	2,801	7,318
Charged in year	-	839	229	1,068	1,448	1,433	180	3,061
Disposals	-	-	-	-	-	(568)	(934)	(1,502)
Reclassification	-	-	-	-	-	-	-	-
Revaluation	-	(839)	-	(839)	(1,250)	-	-	(1,250)
Impairment	-	-	-	-	-	-	-	-
At 31 March 2026	-	-	919	919	476	5,104	2,047	7,627
Net book value								
At 31 March 2026	41,904	33,153	1,549	76,606	17,879	2,426	1,130	21,435
At 31 March 2025	38,451	32,679	1,778	72,908	17,555	2,509	988	21,052

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

Notes

Right-of-use Asset – London office

- 1 The NAO has a 130-year lease for the use of the London property, which is at a peppercorn rent – further details are in note 1.20.
- 2 The NAO obtains a professional valuation of its land and buildings each year – this comprises the London office and plant and machinery. The NAO London headquarters is valued using the valuation techniques in the RICS Valuation – Global Standards (The Red Book) and UK National Supplement to estimate the existing use value of the portion of the building occupied by the NAO and the market value of the portion that is available for occupation by tenants. The valuers have regard to the building's location, style, part sub-let/part owner-occupied nature and prevailing market conditions, as well as the rents paid for other office spaces on the market. The valuers apportion the total value of the property between the land and building elements.
- 3 Montagu Evans (independent property consultants and surveyors, and a member of RICS) valued the land, building and lifts (included within plant and machinery) for the London office at £91.0 million as at 31 March 2026 (31 March 2025: £86.9 million).
- 4 The accounting adjustment in the Revaluation Reserve was an increase of £4.7 million after considering the net effect of the change in value of the building, the additions during the year and the annual depreciation charge.
- 5 The valuation is sensitive to changes in the underlying assumptions. The key sensitivities are as follows:
 - A change in rental yield of -0.5% and a change in market rental value by 2.5% (£1 per square foot) could lead to a change in the value of the London office to increase by £10.6 million to £101.7 million.
 - A change in rental yield of +0.5% and a change in market rental value by -2.5% (£1 per square foot) could lead to a change in the value of the London office to decrease by -£8.9 million to £82.1 million.
- 6 Further information on the key judgements relating to the valuation is provided in Note 1.22.

Right-of-use Asset – Newcastle office

- 1 The NAO has a 10-year lease for the use of the Newcastle office (The Spark) which commenced in January 2023 – further details are in note 1.20.

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

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

8 Intangible assets

2025-26	Internally-developed audit software	Other intangible assets	Total
	(£000)	(£000)	(£000)
Cost			
At 1 April 2025	4,511	423	4,934
Additions	171	66	237
Disposals	-	-	-
Reclassification	-	-	-
Impairment	(70)	-	(70)
At 31 March 2026	4,612	489	5,101
Amortisation			
At 1 April 2025	691	106	797
Charged in year	456	93	549
Disposals	-	-	-
Reclassification	-	-	-
Impairment	-	-	-
At 31 March 2026	1,147	199	1,346
Net book value			
At 31 March 2026	3,465	290	3,755
At 31 March 2025	3,820	317	4,137

8 Intangible assets *continued*

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

Note

- 1 Internally developed audit software consists of costs incurred in delivering the Audit Transformation Programme detailed in Note 1.23. Other intangible assets consist of licences for the rights to use software or the costs of developing our own non-audit related software.

9 Trade and other receivables

	2025-26		2024-25	
	(£000)	(£000)	(£000)	(£000)
Amounts falling due within one year:				
Contract receivables	5,651		4,533	
Trade receivables	74		188	
Deposits and advances	51		49	
Other receivables	239		139	
Prepayments	3,847		1,707	
Trade and other receivables		9,862		6,616
Contract assets – accrued income	2,535		2,839	
Subtotal		12,397		9,455
Amounts falling due after more than one year:				
Other receivables	311		344	
Total		12,708		9,799

Notes

- 1 The contract receivables balance primarily relates to invoices in relation to audit and assurance work.
- 2 There were no impairment losses and nil loss allowance for expected credit losses on any receivables or contract assets in 2025-26 (2024-25: nil loss allowances for expected credit losses and nil on any contract assets). Other receivables include lease incentives granted to tenants of our London office, some of which relate to future years.
- 3 The Trade and other receivables figure under Current assets in the Statement of Financial Position is the total of Amounts falling due within one year from Note 9, excluding Contract assets – accrued income, which is shown in a separate line.

10 Trade and other payables

	2025-26		2024-25	
	(£000)	(£000)	(£000)	(£000)
Amounts falling due within one year:				
Amounts payable to HM Revenue and Customs	259		1,189	
Trade payables	4		15	
Other payables ²	1,266		-	
Accruals	6,969		6,636	
Amounts issued from the Consolidated Fund for supply but not spent at year-end	58		421	
Trade and other payables		8,556		8,261
Contract liabilities - payments received on account	1,623		1,021	
Total		10,179		9,282

Notes

- 1 The accruals figure primarily relates to expenditure incurred for services provided in the financial year for which the NAO has not yet been invoiced and the annual leave accrual which reflects the cost of employees' unused holiday entitlement earned by the end of the reporting period.
- 2 Other payables in 2025-26 relate predominantly to amounts owing to NAO staff under the Voluntary Exit Scheme (there were no amounts owing under Voluntary Exit Schemes as at 31 March 2025).

11 Lease liabilities

	2025-26	2024-25
	(£000)	(£000)
Payable within 1 year ²	242	234
Payable later than 1 year and not later than 5 years	895	1,137
Payable in more than 5 years	354	354
Total	1,491	1,725

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

	Note
Depreciation charge for right-of-use assets by class of underlying asset	7
Interest expense on lease liabilities	5
Income from subleasing right-of-use assets ³	6
Additions to right-of-use assets	7
Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset	7
Information about the NAO's leasing activities	1.20

Notes

- 1 The lease liabilities recognised in the Statement of Financial Position relate to the lease on the NAO's Newcastle office.
- 2 The lease liability amount payable within one year of 31 March 2026 is significantly smaller than the amounts payable in subsequent years. This is because the liability covers the full 10 year lease for Newcastle office space of which only part relates to payments due next year.
- 3 All rental income relates to subletting of office space within the NAO's London headquarters, which is recognised as a right-of-use asset on peppercorn terms.
- 4 The total cash outflow for leases during 2025-26 was £289,000 (2024-25: £360,000).

12 Provisions for liabilities and charges

	Dilapidations	Other	Total
	(£000)	(£000)	(£000)
Balance at 1 April 2025	187	86	273
Provided in the year	-	131	131
Provisions not required written back	-	(76)	(76)
Provisions utilised in the period	-	(10)	(10)
Change in discount rate	-	-	-
Unwinding of discounts	-	-	-
Balance at 31 March 2026	187	131	318

	Dilapidations	Other	Total
	(£000)	(£000)	(£000)
Analysis of expected timing of discounted flows			
Payable within 1 year	-	131	131
Payable later than 1 year and not later than 5 years	-	-	-
Payable in more than 5 years	187	-	187
Balance at 31 March 2026	187	131	318

Dilapidation provision

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

Other provisions

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

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

	2025-26	2024-25
	(£000)	(£000)
Undiscounted lease payments to be received under operating leases where the NAO is the lessor		
Receivable within 1 year	2,074	1,476
Receivable later than 1 year and not later than 2 years	2,006	1,421
Receivable later than 2 years and not later than 3 years	1,592	832
Receivable later than 3 years and not later than 4 years	976	425
Receivable later than 4 years and not later than 5 years	783	-
Receivable later than 5 years	-	-
Total	7,431	4,154

Note

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

14 Financial instruments

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

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

Liquidity risk

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

Credit risk

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

- The majority of bodies for which the NAO charges for audit services are government-owned companies and other public bodies. These are guaranteed or receive funding from Parliament. The NAO has assessed that the related receivables are not subject to material credit risk because the majority of NAO clients continue to deliver required public services that are expected to be funded by Parliament. The NAO has not observed any trend of delays or failure to make payment during 2025-26.
- Amounts due from audit bodies in respect of work invoiced as at 31 March 2026 were £5.7 million (31 March 2025: £4.9 million).
- The NAO also rents out space in its London building to third parties for which it charges quarterly. Management has concluded that the NAO is not exposed to significant credit risk from rental income.
 - The amounts expected to be recovered have been reflected in the rent receivables balance within trade receivables, as adjusted for the loss allowance for expected credit losses recognised in accordance with IFRS 9. There was nil loss allowance on income receivable for 2025-26 (2024-25: nil).

Foreign currency risk

From time to time, the NAO has some exposure to foreign currency markets because fees for some international work are denominated in US Dollars or Euros. Before pricing or commissioning work, the NAO seeks to identify the potential exposure to exchange rate variations and to manage the risk accordingly. The NAO does not maintain significant assets or liabilities in foreign currency, except for minor operational cash balances to meet short term costs of overseas assignments. There is no material foreign currency exposure risk as at 31 March 2026 (there was no material foreign currency exposure as at 31 March 2025).

15 Related party and other transactions

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

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

- The provision of accommodation, training courses and the hosting of seminars for public sector bodies for which the NAO may charge a fee. The amounts are not material to the parties involved.
- The NAO provides capacity building services to other supreme audit institutions and receives funding to cover the costs of this work. The funding can come from many sources but may be directly from government bodies. In 2025-26 the NAO raised invoices of £295,528 to the Foreign, Commonwealth and Development Office and its contractors and subsidiaries (2024-25: £414,916 from the Foreign, Commonwealth and Development Office and its contractors).
- In 2024-25 the NAO worked on a capacity building project alongside the INTOSAI Development Initiative (IDI), of which the C&AG is also a Board Member. In 2024-25 IDI exited the project, and during 2025-26 the NAO has contributed nil worth of resources to it (2024-25: £50,000, which included staff time and travel costs, under a programme ultimately funded by FCDO).
- Routine transactions with HM Revenue and Customs to meet statutory taxation requirements and with the Cabinet Office which operates the civil service pension arrangements.
- Contractual relationships with organisations who occupy space in the NAO's headquarters building and pay rental to the NAO on commercial terms. We comply with the Financial Reporting Council's Ethical Standards in relation to all rental arrangements with organisations where we are their auditor. We only enter into rental agreements where the rental value is immaterial to both the NAO and the tenant, and the arrangement reflects normal market conditions. We ensure that audit teams have no involvement in negotiating or managing leases, and all arrangements are disclosed transparently in our accounts and those of the audited body. Further information on these transaction values is set out in the table below.

Party	Nature of relationship with the party	Rent and service charge invoiced	
		2025-26	2024-25
Office for Nuclear Regulation	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since April 2024.	£305,052 (of which £211,342 relates to the rental of office space)	£118,909 (of which £52,836 relates to the rental of office space)
The Lampard Inquiry (Department of Health and Social Care). The lease is with the Secretary of State for Housing, Communities and Local Government, who has entered into this lease on behalf of the Government Property Agency.	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since May 2024.	£238,117 (of which £157,901 relates to the rental of office space)	£222,424 (of which £140,000 relates to the rental of office space)
Government Property Agency	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since October 2025.	£27,794 (of which £26,121 relates to the rental of office space)	-

Party	Nature of relationship with the party	Rent and service charge invoiced	
		2025-26	2024-25
UK Research & Innovation (UKRI)	Central government body audited by the NAO. Occupied part of the NAO's headquarters building since March 2026.	£49,701 (which all relates to the rental of office space)	-

16 Capital commitments

As at 31 March 2026, the NAO had no contracted capital commitments (31 March 2025: £1,559,165 to be spent in the 2025-26 financial year).

17 Events after the reporting period

There are no events after 31 March 2026 that require an adjustment to the financial statements and no non-adjusting events for which additional disclosure in the financial statements is required.

The date the accounts are authorised for issue by the Accounting Officer is interpreted as the same date the accounts are certified by Crowe U.K. LLP.



04

**Financial
impacts**

Statement of National Audit Office financial impacts

The Statement of financial impacts represents our estimate of the financial benefits recognised in 2025 following the implementation of our recommendations to the government or responses to our findings (**Figure 29**).

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

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

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

- **Causation:** There is a causal link between work conducted by us and the benefit.
- **Realisation:** Impacts have been realised within, or before, the calendar year in which they are reported. Because of the need to gather and evaluate evidence of benefits, there is usually a time lag between our work and the impact being recorded. In some cases, the time lag means that we recognise and report impacts that are several years old. If an impact has occurred over a number of years before we identify it, then we report the total value of that impact to the year in which it was identified.
- **Valuation:** Reliable evidence or data support claims. There must be a robust methodology to value the impact. Where measurable, we deduct any material and direct implementation costs incurred by the audited body or indirectly by other parties. To improve consistency in our reporting, from 2025, we report all financial impacts in the prices of the reporting year, adjusting them where necessary.
- **Attribution:** The proportion of impact claimed reflects the degree of our contribution to the benefit realised.
- **Validation:** The audited body confirms (at a sufficiently senior level) that the data and calculations of benefits are reasonable.

A panel of senior National Audit Office (NAO) staff assesses evidence of financial impacts against these principles. Audited bodies are asked to confirm that impacts have been realised and that the data and calculations used are reasonable (valuation principle) and the panel reviews and approves evidence for the causation and attribution of impacts. A non-executive member of the NAO Board provides independent assurance that the panel is working as intended.

A financial impact can happen in just one year or be recurring over several. Figure 29 shows the year to which the impact claim relates when it is recurring. Not all impacts can be quantified precisely, including those related to qualitative efficiency gains and wider economic benefits. In these instances, we base the financial impact on careful judgement to provide a reasonable estimate.

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

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

The statement of financial impacts has been prepared in accordance with internal guidance. Financial impacts are subject to internal quality assurance review by senior management. The Executive Team endorses all impacts. The NAO's external auditors provide an independent review of the NAO's annual Statement of financial impacts.

Figure 29

2025 National Audit Office (NAO) impacts valued at more than £5 million

Description	Impact value ¹ (£)	Nature of impact	Year of claim	Audited body
<p>Reform of Entrepreneurs' tax relief (now called Business Asset Disposal Relief)</p> <p>Closer monitoring of the cost and impact of the relief informed a decision to reduce the lifetime allowance of this relief, reducing the cost to the Exchequer.</p>	£464,030,000	Recurring	2 of 2	HM Treasury ²
<p>Fraud and error avoided in the Energy bills support schemes</p> <p>NAO work influenced the design of the Energy bills support schemes to minimise opportunities for fraud and error, compared with similar government schemes.</p>	£443,254,000	One-off	–	Department for Energy Security & Net Zero
<p>Tackling overpayments in benefits expenditure</p> <p>Impact arising from our catalogue of work supporting the Department for Work & Pensions to tackle overpayments in benefit expenditure over successive years.</p>	£299,486,000	Recurring	3 of 6	Department for Work & Pensions
<p>Recovery of tax debt through increased capacity and use of the private sector</p> <p>HM Revenue & Customs increased debt management capacity, by funding additional staff and making greater use of debt collection agencies to provide greater support to taxpayers seeking to pay off accrued tax debts which increased as a result of the COVID-19 pandemic.</p>	£247,400,000	Recurring	4 of 9	HM Revenue & Customs
<p>Increased compliance capacity aimed at closing the tax gap</p> <p>Additional compliance yield from increased resources addressing serious fraud, complex fraud among wealthy taxpayers, business tax compliance and tax credits error and fraud.</p>	£214,800,000	Recurring	1 of 4	HM Revenue & Customs

Description	Impact value ¹ (£)	Nature of impact	Year of claim	Audited body
<p>Changes to Research & Development (R&D) tax relief for small and medium-sized enterprises</p> <p>The identification of significant levels of error and fraud and evaluation evidence led government to reduce the rate of these tax reliefs, resulting in a net saving for the Exchequer.</p>	£170,620,000	Recurring	2 of 5	HM Treasury ²
<p>Improvements in government grant management</p> <p>Financial benefits resulting from improved management of grants.</p>	£141,000,000	Recurring	1 of 3	Cabinet Office
<p>The Emergency Services Network programme</p> <p>Our audits highlighted the need to actively manage the risks presented by the potential conflict of interest of a contractor in the Emergency Services Network programme that also provided the legacy system, Airwave. The Home Office subsequently wrote to the Competition and Markets Authority, which initiated a market review that ultimately led to a charge control being imposed on the Airwave contract.</p>	£113,000,000	Recurring	2 of 6	Home Office
<p>Electricity networks</p> <p>Reduced cost of capital for electricity network companies resulting in lower consumer costs.</p>	£109,840,000	Recurring	5 of 8	Ofgem
<p>Improved efficiency in the NHS Supply Chain</p> <p>Supply Chain Coordination Limited improved its operations to help NHS Trusts buy products at better prices.</p>	£106,000,000	Recurring	1 of 6	NHS Supply Chain
<p>Universal Credit advances fraud</p> <p>Reduction in fraud as a result of the Department for Work & Pensions introducing a number of measures, including enhancing its identify verification checks, and a machine learning model to identify fraud.</p>	£82,912,000	Recurring	5 of 5	Department for Work & Pensions
<p>Increased compliance activity on R&D tax relief for small and medium-sized enterprises</p> <p>Additional yield from redirecting compliance activity to R&D tax reliefs to better understand the risk of fraud and error occurring, redeploying staff to manage the risk, and letters sent to challenge claims identified as higher risk.</p>	£54,670,000	Recurring	3 of 5	HM Revenue & Customs
<p>Local authority borrowing and investment</p> <p>Restrictions on local authority borrowing from Public Works Loan Board: local authorities are no longer able to borrow to buy investment assets primarily for yield (to generate income), leading to reduced borrowing.</p>	£53,900,000	Recurring	4 of 5	HM Treasury
<p>Rectification of State Pension underpayments</p> <p>Identification and rectification of historical underpayments in State Pension relating to Home Responsibilities Protection.</p>	£30,874,000	Recurring	2 of 5	Department for Work & Pensions

Description	Impact value ¹ (£)	Nature of impact	Year of claim	Audited body
<p>Increased uptake of social broadband tariffs</p> <p>Scrutiny by the Public Accounts Committee helped ensure that the Department for Science, Innovation & Technology focused on promoting greater take-up of social broadband tariffs by households on low incomes, reducing the cost for those consumers.</p>	£25,671,000	Recurring	3 of 5	Department for Science, Innovation & Technology
<p>Increased financial returns at the BBC</p> <p>The BBC worked with government to agree an increase in its commercial borrowing limits, which has enabled it to deliver increased financial returns.</p>	£24,200,000	Recurring	2 of 4	BBC
<p>Removal of application fee for Child Maintenance Service applications</p> <p>Abolishing the Child Maintenance Service application fee to ensure that customers are not excluded due to financial constraints.</p>	£15,048,000	Recurring	2 of 2	Department for Work & Pensions
<p>Recovery of overpaid VAT</p> <p>Recovery of VAT overpayments identified during audit work.</p>	£11,900,000	One-off	–	Atomic Weapons Establishment
<p>Level of contact required of participants in the Restart employment support scheme</p> <p>Savings as a result of the Department for Work & Pensions reducing the level of contact required of participants in the Restart scheme with work coaches at job centres from fortnightly to four weekly.</p>	£8,109,000	Recurring	1 of 5	Department for Work & Pensions
Sub-total	£2,617 million			
Impacts below £5 million	£0.6 million			
Total financial impacts	£2,617 million			

Notes

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

Source: National Audit Office

Independent statement to the Public Accounts Commission

The Accounting Officer, on behalf of the Public Accounts Commission, has asked us to carry out an independent review of the Statement of Financial Impacts for 2025.

Respective responsibility of the Accounting Officer and the Auditors

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

Scope of the review

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

Opinion

In our opinion:

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

Crowe U.K. LLP
Statutory Auditor
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Date: 22 June 2026



05

Annex

Sustainability annex

Figure 30 shows environmental and climate-related information for the four years to 2025-26 in line with HM Treasury's sustainability reporting guidance.

Figure 30

National Audit Office (NAO) sustainability data

Our data are provided for the four years between 2022-23 and 2025-26

Greenhouse gas emissions	2022-23	2023-24	2024-25	2025-26
Tonnes of carbon dioxide equivalent (tCO₂e)				
Scope 1 (direct) emissions ¹ (% reduction compared with 2017 baseline of 407 tCO ₂ e)	323 (21%)	296 (27%)	295 (28%)	326 (20%)
Scope 2 (energy indirect) emissions ²	429	441	455	416
Related energy consumption (mWh)				
Electricity: non-renewable	0	0	0	0
Electricity: renewable	2,200	2,073	2,124	2,260
Gas	1,771	1,619	1,612	1,784
Total related energy use	3,971	3,692	3,736	4,044
Financial information (£000)				
Expenditure on electricity and heating carbon	599	706	857	810
Expenditure on gas	80	52	51	54
Expenditure on energy	678	758	908	864
Tonnes of carbon dioxide equivalent (tCO₂e)				
Scope 3 (other indirect) emissions – official business travel, domestic flights	10	22	19	13
Scope 3 (other indirect) emissions – official business travel, international flights	119	239	331	131
Scope 3 (other indirect) emissions – official business travel, rail, underground and tram	38	23	60	63
Scope 3 (other indirect) emissions – official business travel, road travel	24	21	17	16
Scope 3 (other indirect) emissions – official business travel, accommodation	27	50	55	52
Total Scope 3 (other indirect) emissions – official business travel	218	355	481	274
Financial information (£000)				
Expenditure on official business travel	404	572	531	501

Waste organisation and management	2022-23	2023-24	2024-25	2025-26
Tonnes				
Recycled, reused and recovered (excluding ICT and digital waste)	48.2	46.8	74.8	58.9
ICT and digital waste recycled, reused and recovered ³	0.3	8.1	3.1	4.9
Composted	17.6	12.0	4.4	6.9
Incinerated with energy recovery	15.4	20.3	21.5	19.5
Incinerated without energy recovery	0	0	0	0
Landfill	0	0	3.7	0
Hazardous waste	0	0.7	0.2	0.2
Total waste⁴	81.4	88.0	107.8	90.4
Financial information (£000)				
Recycled, reused and recovered (excluding ICT waste)	15.6	22.9	32.6	23.9
ICT waste recycled, reused and recovered	0.2	19.3	1.3	2.6
Composted	7.5	7.7	1.8	2.8
Incinerated with energy recovery	6.8	2.4	9.6	10.9
Incinerated without energy recovery	0.0	0.0	0.0	0.0
Landfill	0.0	0.0	1.5	0.0
Hazardous waste	0.8	8.4	0.4	0.3
Total disposal cost	31.0	60.8	47.2	40.5
Finite resource consumption - Water				
Kilolitre (kl)				
Total consumption ⁵	2,770	3,340	5,699	4,895
Financial information (£000)				
Total expenditure ⁶	11.1	5.2	21.7	24.1

Figure 30 *continued*

National Audit Office (NAO) sustainability data

Notes

- 1 Scope 1 emissions are direct emissions from consumption of gas. For the London office, gas consumption is metered to the point of entry to the building so NAO consumption is estimated net of NAO tenant consumption. For the Newcastle office, carbon from heating is metered to our floor. The government in 2021 set an interim target to reduce direct emissions from public buildings by 50% between 2017 and 2032. For us, this would mean reducing our direct emissions from 407 tCO₂e in 2017 to 203 tCO₂e in 2032.
- 2 Scope 2 emissions are indirect emissions from the consumption of purchased electricity. For the London office, electricity use is metered to individual tenants. For the Newcastle office, electricity use is metered to our floor. Data for Scopes 1 and 2 for 2023-24 and 2024-25 have been restated following identification of a small classification error for some emissions relating to our Newcastle office.
- 3 A breakdown of total ICT and digital waste in 2025-26 is shown in the table below. Note that the 'Number of units' column excludes small peripheral items such as headsets and mice which are not separately recorded (the 'Tonnes' column includes the aggregate weight for these items, rounded to two decimal places).

Destination (reported by contractor)	Number of units	Tonnes	Value (£)
Reuse	636	3.63	0
Recycling	87	1.22	0
Incineration with energy recovery	0	0	0
Incineration without energy recovery	0	0	0
Landfill	0	0	0

- 4 Waste disposal is outsourced to Mitie Waste and Environmental who provide monthly reporting. Data include waste generated by NAO tenants in our London office. For the Newcastle office, waste disposal services are provided as part of the lease service contract, with the landlord providing monthly reporting. Some 22.5 tonnes of waste in 2025-26 relates to a one-off construction project in London. Minor adjustments are made to the classification of waste for prior years in some cases, following further recent investigation.
- 5 Water is metered to the point of entry to our London building, so our consumption is estimated based on floor space occupied, net of NAO tenant consumption. For the Newcastle office, water is metered to the point of entry to the building so our consumption is calculated as a percentage of occupied space.
- 6 Water supply costs do not include Newcastle office water expenditure as it is included in the service charge. Water supply costs for the London office are for the whole building and include tenants' consumption.
- 7 Scope 3 emissions relating to our supply chain are not disclosed here. We expect that the emissions from our supply chain will be material and anticipate reporting these data in future years.
- 8 Data are not weather-adjusted, and numbers may not sum due to rounding. Consumption and financial data for the latest year may sometimes be based on estimated readings and therefore subject to small change between reporting years. Reporting methods are informed by HM Treasury's Sustainability Reporting Guidance.

Source: National Audit Office analysis of environmental data





National Audit Office

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