National Audit Office

Transparency Report

2025-26

31 July 2026

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

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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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Key National Audit Office quality measures

Financial audit

86%
of audits reviewed externally by the Financial Reporting Council met quality standards (six out of seven audits reviewed)

76%
of internally reviewed financial audits met our in-house quality standards when assessed under the same scope as that adopted by our external reviewers (19 out of 25 audits reviewed)

68%
of internally reviewed financial audits met our in-house quality standards, which are broader in scope than those adopted by our external reviewers (17 out of 25 audits reviewed)

Met
reasonable assurance that the objectives of the NAO's system of quality management are being achieved (compared to last year where we concluded that further work was needed)

Value-for-money reports

95%
of externally reviewed value-for-money reports met quality standards (19 out of 20 reports reviewed)

83%
of internally reviewed value-for-money reports met our quality standards (10 out of 12 reports reviewed)

Impact

91%
of senior officials who rated the quality of the NAO's financial audit work as good

72%
of senior officials who rated the quality of NAO's value-for-money work as good

96%
of our value-for-money recommendations to the government were accepted or partially accepted in the six years to March 2025

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Key National Audit Office quality measures *continued*

Delivery

413 audit certifications published

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

People

7.9 out of 10 – average score across the full range of questions in our latest Financial Audit Quality Culture survey (unchanged from the prior year)

7.5 engagement score out of 10 (an increase of 0.3 from the prior year)

92% percentage of trainees passed their final stage exams first time

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Our Transparency Report 2025-26

Our Transparency Report 2025-26

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 helping improve public services.

1.2 Being transparent in what we do is key to maintaining the trust of the bodies we audit and those to whom we report. In line with statutory requirements, we publish an annual Transparency Report setting out actions we took during the year to deliver consistently high-quality audit work that met our quality standards.

1.3 This Transparency Report, for 2025-26, sets out:

- our context and key achievements during the year (this Part);
- our governance and accountability arrangements, which promote and support the quality of our audit work (Part Two);
- our system of quality management, with specific assessments for our financial audit and value-for-money (VFM) work (Part Three);
- findings from our financial audit and value-for-money quality reviews and the steps we are taking to further improve the quality of our audit work (Parts Four and Five); and
- how we attract, develop, retain and support our people to deliver audit work that meets our quality standards (Part Six).

1.4 We publish this report alongside our Annual Report and Accounts,[1] Diversity Pay Gap Report,[2] National Audit Office Main Estimate 2026-27,[3] and our Diversity and Inclusion Annual Report.[4]

1 National Audit Office, *Annual Report and Accounts 2025-26*, June 2026.

2 National Audit Office, *The National Audit Office diversity pay gap report* – 2025, February 2026

3 National Audit Office, *National Audit Office Main Estimate 2026-27*, April 2026

4 National Audit Office, *Diversity and Inclusion Annual Report 2025-26*, June 2026

Comptroller and Auditor General (C&AG)

As Comptroller and Auditor General, I am responsible for ensuring that our work supports Parliament in holding the government to account for how it spends taxpayers' money. This requires a strong culture across the NAO, grounded in independence, integrity and professional scepticism, and focused on delivering high-quality and timely audit and assurance.

Gareth Davies

High-quality financial reporting and audit are central to strong, effective public accountability. Timely, accurate accounts are a vital responsibility of Accounting Officers, providing the foundation for effective scrutiny of how public money is used. Through our financial and value-for-money audits, we provide trusted information and insights about public spending, supporting Parliament in holding the government to account and helping to improve financial management and value for money.

Our Strategy 2025–2030 puts impact at its core, supported by our people, our culture, and our investment in digital and data to strengthen the quality and influence of our work. This Transparency Report sets out how, in the first year of the Strategy, we have continued to strengthen the quality of our financial audit and value-for-money work.

In our financial audit service line, our Quality First Plan is now embedded and is supporting the delivery of high-quality audits that meet professional standards within a strengthened system of quality management.

In our value-for-money service line, we delivered 61 reports and assurance products, shared insights through lessons learned and good practice guides, and maintained high standards while continuing to strengthen quality and capability.

I am grateful to all colleagues across the NAO for their commitment to delivering high-quality work, and for the support and challenge of the Audit Quality Board as we continue to embed a strong culture of audit quality across the NAO.

Gareth Davies, Comptroller and Auditor General

Executive Director responsible for financial audit service line

Over the past few years, we have fundamentally reshaped our audit practice, putting the foundations of high-quality audit firmly in place.

Kate Mathers

Through our Audit Transformation Programme and Quality First Plan, we have improved and stabilised our audit quality, invested in our people, implemented a new audit methodology and our Apex platform, strengthened our system of quality management, and removed barriers to delivery.

The challenge now is consistency. We must apply these fundamentals on every audit, every time, including when we are under pressure, so that we consistently deliver the high-quality, timely and efficient assurance that Parliament and the public expect.

This year's Transparency Report shows sustained progress. External review findings demonstrate strong results for a second consecutive year, reflecting the strength of our improvement, while our internal monitoring highlights where further embedding is needed across the wider portfolio. Our people recognise the impact of the changes we have made, both in how we work and in our culture.

But there is more to do. Delivering high-quality audits consistently, on time and efficiently remains challenging. Delivery pressures at key stages of the audit cycle can affect consistency, and pressures on audited bodies also create risk. At the same time, the environment we audit is becoming more complex, particularly as government systems become more digital and enabled by artificial intelligence (AI).

AI will be one of the most significant changes to audit over the coming years, affecting both how and what we audit. Piloting Microsoft 365 Copilot is our first practical step, and we are continuing to develop our approach so that we use AI confidently and responsibly to support quality, consistency and productivity.

Under our Quality First Plan, we have set focused priorities to take advantage of these opportunities while addressing the risks, ensuring our audits are fit for the future. In particular, we are strengthening our culture, streamlining audit work where risk is lower, investing in technology and AI-enabled productivity, and influencing the wider context in which we audit to support high-quality financial reporting and audit.

I am proud of the progress we have made and grateful for the commitment of our teams. We will continue to build on this progress, focusing on delivering consistent, high-quality, timely and proportionate audit across our full portfolio and strengthening confidence in our work

Kate Mathers, Executive Director

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Executive Director responsible for value-for-money service line

During 2025-26, we published 61 value-for-money (VFM) and wider assurance reports, 17 departmental overviews and six good practice guides. Our work continues to meet high standards and is highly regarded by members of Parliament and those working in government.

Max Tse

Our internal and external reviews show that our VFM and wider assurance reports meet our quality standards. Reviewers note the professionalism of our staff, the clear structure of our reports and the strength of our methods. There are areas where we can improve consistency and clarity, and where the use of professional judgement can be strengthened in relation to evidence, context and recommendations.

We have acted on this feedback. Over the past year, we have strengthened our quality management arrangements. We have updated standards and guidance, improved how we share learning and good practice, expanded learning and development opportunities, simplified key processes, and introduced new tools and technology to support efficient, high-quality work.

Looking ahead, for 2026-27, we are taking forward the use of new tools. AI offers exciting opportunities to improve the processes for developing our work, and new opportunities for insight and analysis. At the same time, we will need to maintain a strong focus on high-quality evidence. We will be refining the use of these tools supported by a refreshed learning and development programme, strong engagement across teams, and further improvements to our processes, standards and expectations. Together, these actions will help ensure our work continues to be robust, consistent and influential.

Max Tse, Executive Director

Chair of the Audit Quality Board

The Audit Quality Board (AQB) continues to play a vital role in supporting and constructively challenging the NAO on the quality of its audit work. We are encouraged by the progress made during the year, with the NAO embedding quality improvement plans and continuing the commitment to ensuring high standards are applied consistently across all audit work.

Gaenor Bagley

In 2025-26, we delivered a comprehensive programme of oversight and challenge, contributing to improvements in the NAO's quality risk analysis and in the effectiveness of its system of quality management. We met five times during the year, and strengthened our independent membership, enhancing the breadth and depth of our scrutiny. We were deeply saddened by the passing of our colleague Mark Rhys, who made a significant contribution to our work. We extend our condolences to his family and all who knew him.

The AQB's oversight and assurance focused on strengthening the NAO's quality management systems, overseeing performance against quality standards for both financial audit and value for money, and responding to emerging audit risks and opportunities.

We were pleased to see the NAO's continued progress in financial audit quality reflected in the recent Financial Reporting Council's reviews of individual audits. However, results from our internal quality reviews show that there is no room for complacency and that greater consistency is still required across all audits. We maintained rigorous oversight of the NAO's annual Quality First Plan and challenged the impact of its actions. We assessed progress against a range of audit quality indicators and monitored the NAO's response to internal and external review findings. We challenged the design and operation of the NAO's system of quality management and its monitoring work, and we contributed to the Comptroller and Auditor General's annual evaluation through our assessment of the assurance framework.

Importantly, our work highlighted some cultural factors underpinning audit quality, including accountability and behaviours at individual and team levels. We welcome the increased focus on these areas within the Quality First Plan 2026-27 and will continue to monitor progress closely.

Our work on value-for-money included a review of the development and implementation of quality indicators, internal and external quality assessments, and ensuring that actions are taken to maintain consistently high quality.

Looking ahead, we will continue to provide robust and independent challenge to support the NAO in embedding sustainable improvements in audit quality.

Gaenor Bagley, Non-Executive Director

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Governance and accountability

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Governance and accountability

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

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

The C&AG and the NAO

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

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2.3 The C&AG's independence is protected in statute. The C&AG's appointment as the external auditor of most of the entities we audit is also set out in statute, including for our value-for-money (VFM) work. This means an audited entity cannot replace us as its auditor in response to negative audit opinions or conclusions. We are funded by Parliament for most of our audit work, and we do not depend on fees from the entities we audit.

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

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

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

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

The legal framework underpinning our governance arrangements

2.7 The Budget Responsibility and National Audit Act 2011 established the NAO as a legal entity with a statutory Board to support the C&AG's statutory functions. Four principles underpin the NAO's governance:

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

Holding us to account

2.8 The NAO is accountable to Parliament through the Public Accounts Commission (TPAC). In March 2025, TPAC approved the NAO Estimate for 2025-26. In November, it considered the NAO's Annual Report and Accounts for 2024-25 and the Supplementary Estimate for 2025-26. In December, it took evidence from the NAO on the quality of its financial audit work. In April 2026, it considered the NAO Estimate for 2026-27, approving this in April 2026.

Our governance and key relationships

2.9 **Figure 1** shows our governance and key relationships.

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Figure 1

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

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

We are accountable to Parliament and help Parliament hold the government to account for how it uses public funds

House of Commons

The Public Accounts Commission (TPAC)

- Oversees and scrutinises our work and approves our strategy and annual budget
- Appoints non-executive members of our Board (except the Chair)
- Appoints our external auditor

Committee of Public Accounts (PAC)

- Uses our reports to support most of its inquiries
- Holds an annual evidence session with the C&AG on the NAO's proposed budget

Other cross-departmental and department select committees

- Our secondment programme supports around 10 committees per year
- Our annual Overviews draw on our expertise to assist Committees in understanding how and where departments spend their money

Members of Parliament (MPs)

- We circulate all of our reports to MPs once they have been laid in the House
- Our newsletter summarising our recent work is sent to all MPs
- We offer in-person briefings to MPs and their staff on our work
- Our correspondence function is used by MPs to raise issues relating to value for money

House of Lords

Select committees

- We provide support to committees through our briefings and our secondees

The NAO's governance, roles and responsibilities

NAO Chair

- Appointed by the Monarch following an address to the House of Commons[1]
- Sets the agenda for the work of the NAO Board and provides constructive challenge to the C&AG and Executive Team
- Ensures the NAO meets the requirements of the Budget Responsibility and National Audit Act 2011

NAO Board

- Supports and advises the C&AG in the exercise of his statutory functions, drawing on the wider experience of non-executive members
- Develops the NAO's strategy and agrees the budget with the C&AG
- Provides oversight of the management of the NAO's resources
- Supported by two Board sub-committees, the Audit and Risk Assurance Committee and the Remuneration and Nominations Committee[2]

C&AG

- Appointed by the Monarch following an address to the House of Commons[1]
- An Officer of the House of Commons and independent of the government
- Head of the NAO and appointed by TPAC as Accounting Officer
- Certifies the accounts of all government departments and many other public bodies[3]
- Statutory authority to report to Parliament on whether government departments and the bodies they fund have used their resources efficiently and effectively
- Approves the release of funds from the Exchequer

NAO Executive Team and wider office

- Support the C&AG in the exercise of his statutory duties
- Responsible for the delivery of the NAO's strategy and business priorities[4]
- Around 1,100 NAO colleagues

We audit the financial accounts of all government departments and other public bodies and examine the value for money of how public money is spent

- We audit and certify over 400 government accounts, including 18 major audit bodies
- We publish around 60 value-for-money reports a year relating to the work of these audited bodies
- We share good practice to improve services and outcomes from public spending through our Insights work
- Through all of our work, we aim to maximise our influence and impact, working with our audited bodies and others in government
- We seek regular feedback on our work with audited bodies

We report on issues that matter to citizens

- We share our work with 45,000 email subscribers, through our website and via social media channels
- We respond to around 1,000 correspondence items each year

Figure 1 *continued*

National Audit Office (NAO): 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.

Source: National Audit Office

The NAO Board and its committees

2.10 The Board shapes the strategic thinking of the NAO. It also advises the C&AG on meeting his statutory responsibilities and oversees the use of resources. The Board's operations align with the code of good practice for corporate governance in central government departments, except for specific departures arising from the NAO's compliance with the Budget Responsibility and National Audit Act 2011.

2.11 The Board is supported by the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee, to which it has delegated specific responsibilities.

- ARAC provides assurance to the Board that the NAO's financial and non-financial controls, and risk management procedures operate effectively. ARAC also advises the Board and TPAC on the appointment and remuneration of the NAO's external auditor.

- The Remuneration and Nominations Committee advises the Board on the framework for executive director remuneration and on succession planning for the Board and the Executive Team. It also supports strategic people-related issues.

2.12 Details of the frequency of the meetings of the Board and its committees, and their areas of focus during 2025-26, are included within our Annual Report and Accounts.

2.13 The Audit Quality Board (AQB) is an advisory forum to the C&AG which reviews and challenges the effectiveness of the quality management system underpinning our financial and VFM audit work (see **Figure 2**). The AQB's membership is designed to provide detailed oversight of our audit quality risks for ARAC and the NAO Board.

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Figure 2

The Audit Quality Board's (AQB's) activities during 2025-26

The AQB reviewed and challenged the effectiveness of the National Audit Office's (NAO's) system of quality management

Area	Description
Strengthening the NAO's financial audit system of quality management	The Audit Quality Board (AQB) continued to support the Comptroller and Auditor General (C&AG) in evaluating and strengthening the NAO's financial audit system of quality management (SoQM). • Challenged the progress the NAO had made following the C&AG's evaluation in December 2024 and findings from the Financial Reporting Council's inspection in 2025 of the NAO's SoQM. • Considered the NAO's revised approach to its management of quality risks, including its further investment in the design and operation of key controls mitigating risks. • Challenged and approved the NAO's monitoring and inspection plans for 2025, testing the operational effectiveness of controls within the SoQM. • Undertook deeper scrutiny of the quality 'in-flight' interventions the NAO has in place over its riskiest audits, key findings from the NAO's internal and external file inspections, and root cause analysis which informed the effectiveness of the SoQM. • Reviewed and challenged the evidence supporting the C&AG's 2025 evaluation. This showed clear progress compared with 2024, with the NAO embedding improvements in its SoQM to facilitate a more consistent and established monitoring cycle from 2026.
Financial audit quality	• Monitored the outcomes of internal and external inspection programmes, including key reports from the Financial Reporting Council, and reviewed the themes arising from these reviews, along with the NAO's responses. • Considered possible root causes behind the NAO's audit quality outcomes, drawing on insights from inspection findings and internal analysis, as well as assessing management's responses. • Assessed audit quality indicators, monitoring progress in the domains of delivering the NAO's strategic objectives, including its audit transformation programme, audit quality, operational delivery, people (including learning and development), and views from stakeholders.
Financial audit Quality First Plan	• Throughout the year, the AQB monitored the NAO's progress against actions in its Quality First Plan for 2025-26 and challenged delivery where appropriate. • Towards the end of the year, the AQB reviewed, challenged and endorsed the updated Quality First Plan for 2026-27 and its focus on the NAO's quality culture.
Overseeing value-for-money (VFM) quality	• Reviewed the development and use of VFM quality indicators. • Reviewed internal and external VFM inspections and tracked actions to maintain consistently high quality.
Other assurances	• Noted the external auditor's report on the effectiveness of the NAO's governance arrangements, including the role of the AQB, and the good practice identified in this review (paragraphs 2.14 to 2.16). • Oversaw the structure, content and messaging of the NAO's 2024-25 Transparency Report, published in July 2025, and the structure for the 2025-26 Report, approving their submission to the NAO Board. • Reviewed the NAO's assessment of Train Operating Company audits, including skills, technical risks, resources, and funding. • Considered the NAO's initial use of artificial intelligence tools in audit delivery, with a focus on risk identification, governance and controls. • Reviewed progress from the Financial Reporting Council and HM Treasury on the simplification of reporting requirements for smaller, less complex entities and the NAO's emerging response.

Note

1 The Audit Quality Board met five times during 2025-26.

Source: National Audit Office

2.14 In March 2025, TPAC agreed that its annual external VFM review, carried out by the NAO's external auditor, should focus on the NAO's governance. This work was presented to the Board at its meeting in January 2026 and was considered further by TPAC in April 2026.

2.15 The external auditors concluded, "we consider governance at the NAO to be effective and in many respects to be high performing compared to other organisations for whom we have carried out such reviews." They made several positive observations in respect of the role of AQB.

- The AQB has a clear commitment to the quality agenda as evidenced throughout the governance cycle, with its defined role in tracking progress against the Quality First Plan.
- It also has a clear approach and themes aligned to the AQB activity. This included improvements in financial audits, points of focus including the mitigations and controls identified from Root Cause Analysis. Furthermore, there has been progress in discussions towards implementing a balanced scorecard tool and Audit Quality Indicators.
- The AQB has been effective in driving positive change across the organisation, which addressed the challenges being raised by the Financial Reporting Council regarding audit quality.

2.16 The auditors raised no recommendations for improvement either to the NAO Board or AQB.

The Executive Team

2.17 The Executive Team, led by the C&AG as Head of the NAO, is collectively responsible for delivering the NAO's Strategy and its operational business priorities. In 2025-26, in addition to the C&AG, the Executive Team was formed of seven executive directors across six roles (with one job share pairing), including the chief operating officer and the chief people officer. Each has functional responsibility for a work area that is crucial to the delivery of our strategy and is also accountable for one of the individual groups that make up the NAO. The C&AG has appointed one of the seven executive directors to oversee all aspects of the Financial Audit Service Line and another to oversee the VFM Service Line.

2.18 The Executive Team met:

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

2.19 The Executive Team received regular financial and performance information and internal and external feedback to assess progress in implementing our strategy and developing the organisation. It used this information to examine the progress of our financial audits and agree additions and revisions to our programme of VFM and wider assurance work, to align operational and resource plans with our priorities.

Risk management

Our risk management framework

2.20 Our risk management framework and processes align with principles set out in HM Treasury's *Orange Book*. This approach allows us to identify, evaluate, respond to, report on, and monitor the NAO's risks. We capture organisation-wide risks in a live corporate risk register. The Executive Team receives monthly risk reporting to inform how it considers and assesses risks; the ARAC receives the risk register and discusses emerging and key risks at each meeting; and the NAO Board receives a summary of risks at each meeting, as well as the annual report from the NAO's Director of Internal Audit and Assurance (DIAA).

2.21 As Accounting Officer, the C&AG is responsible for reviewing the effectiveness of the system of risk management and internal control. This review is informed by the work of the DIAA, executive directors within the NAO responsible for developing and maintaining the internal control framework, and comments from external auditors.

2.22 The DIAA's annual report for 2025-26 concluded that the NAO has adequate and effective governance, risk and control arrangements in place. This opinion was based on the work of the DIAA, who had:

- delivered an annual audit 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 designed an internal audit strategy and annual operational plan;
- consistently applied a risk-based internal audit methodology, conforming with the Global Internal Audit standards, and completing a detailed self-assessment against standards following an External Quality Assessment in 2022 which rated the service as "excellent";
- delivered 21 individual assurance assignments, together with advisory support and, where appropriate, agreeing action plans with system owners to secure improvements; and
- monitored the implementation of internal audit recommendations throughout the year and assessed the progress as reasonable.

2.23 The way we manage the quality of our financial audit and VFM audit work is a key driver in addressing the risk to the NAO's reputation for independence, integrity, and high-quality work. In Part Three, we explain the way we manage risks to the quality of our audit work through our system of quality management and how this process informs progress in our management of the NAO's wider reputational risk.

2.24 Artificial intelligence (AI) presents significant opportunities to enhance the quality, efficiency and impact of our work. Alongside these opportunities, AI introduces new considerations and risks for us to manage, both in how we audit AI-enabled systems and how we use AI within the NAO. In paragraphs 2.25 to 2.30 below, we set out our approach to the responsible use of technology and AI, including the governance and risk management arrangements we introduced during 2025-26. These are designed to enable us to take advantage of the opportunities AI presents, while maintaining trust in the quality and integrity of our work.

Technology and AI

2.25 During 2025-26, we continued to explore how AI could enhance the delivery of our work while ensuring its use was subject to appropriate oversight and controls. We expanded our use of tools such as DataSnipper and piloted Microsoft 365 Copilot (Copilot), with the Executive Team approving the business case for the organisation-wide rollout of Copilot. Early experience has demonstrated opportunities to improve productivity, strengthen the analysis and synthesis of information, and enhance the quality and consistency of our work. AI is intended to augment, rather than replace, professional judgement, with responsibility for decisions and outputs remaining with our people.

2.26 During the year, we strengthened our governance arrangements through the establishment of an AI Governance Board to oversee the organisation's approach to AI. The Board provides strategic oversight of AI-related risks and opportunities, advises on policies, governance and assurance requirements, and helps establish organisation-wide guardrails and expectations for the use of AI. It supports a well-managed, consistent and proportionate approach to AI adoption, aligned with our risk appetite, professional responsibilities and strategic objectives.

2.27 Alongside this, we introduced a policy framework governing the use of generative AI. This included acceptable use requirements, controls over the use of public generative AI tools, and measures to support compliance with information security, data protection and professional standards. We also developed guidance and communications for both staff and audited bodies on our use of AI and the safeguards that apply.

2.28 Within financial audit, the AI and Advanced Audit Technology Steering Group, a new part of our system of quality management, ensures that proposed uses of AI comply with professional standards and support audit quality requirements. The use of AI in audit work remains subject to defined guidance, approved use cases and appropriate review requirements.

2.29 During the year, our focus was on establishing the foundations for the wider adoption of AI, including secure technical environments, governance mechanisms and a pipeline of potential use cases. This work has provided practical experience and insight to inform our future approach. We will also shortly publish the NAO's first AI Strategy, which will set out our longer-term approach to using AI and responding to the increasing adoption of AI across the public services we audit.

2.30 Effective adoption of AI depends on our people having the skills and confidence to use it appropriately. During the year, we committed to a learning and development programme to support the NAO-wide rollout of Copilot and the safe and responsible use of AI, including mandatory learning requirements during 2026-27. Paragraphs 6.27 to 6.30 provide further details.

03

Our system of quality management

Our system of quality management

3.1 The quality of our work is fundamental to our credibility with Parliament and the bodies we audit. This part describes our system of quality management and how it works in practice. It outlines:

- our quality culture;
- aspects of our system applying to all within the National Audit Office (NAO);
- specific arrangements for our financial audit and value-for-money (VFM) work; and
- how we further strengthened our system of quality management during 2025-26.

Our quality culture

3.2 Our system of quality management is underpinned by a strong culture of quality. This shapes how our people approach their work, apply professional standards and exercise judgement, and is fundamental to delivering high-quality audit and assurance.

3.3 Our quality culture is also reflected in the way we expect our people to work in practice (**Figure 3**). These expectations are aligned to our values and set out how teams should approach their work and interact with each other and the bodies we audit to deliver high-quality audit outcomes. They reinforce that audit quality depends not only on strong methodology and controls, but on consistent behaviours, effective challenge and professional delivery.

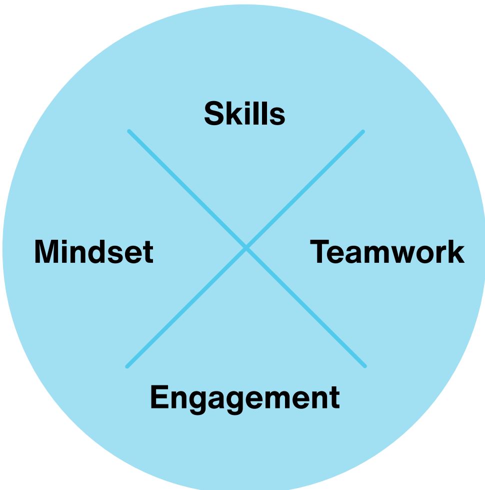
Figure 3

How our ways of working support high-quality audit

The way we approach our work matters.

We:

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



The way we work together matters.

We:

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

Source: National Audit Office

3.4 Audit quality is a shared responsibility across the organisation. Our people are expected to challenge, collaborate and learn from experience, including from the findings of our independent internal and external reviews, to ensure that our work consistently meets the standards expected by Parliament and the public.

3.5 Further detail on how we develop and measure our culture, including through our Quality First Plan and wider people initiatives, is set out in Parts Four and Six.

Our quality standards

3.6 Our financial auditors must comply with International Standards on Auditing (ISAs) (UK). Meeting these standards also means our financial audit work complies with relevant international standards for Supreme Audit Institutions established by the International Organization of Supreme Audit Institutions.

3.7 During 2025-26, we achieved the following.

- Implemented the changes required under the revised auditing standard *ISA (UK) 505 (Revised) – External Confirmations* from our audits of 2025-26 financial statements. The revised standard prohibits using negative confirmations as audit evidence, permits electronic confirmation tools, and requires external confirmations be more precisely tailored to specific material misstatement risks they intend to address.

- Considered the Financial Reporting Council's (FRC's) draft Practice Note providing guidance on applying the ISAs (UK) to audits of less complex entities. We applied aspects of the Practice Note while it was still at draft stage, noting this guidance relates to extant ISA (UK) requirements.

- Updated our audit content for *IFRS 17 – Insurance Contracts* so that it can be applied by auditors to those entities that prepare their financial statements in accordance with HM Treasury's *Government Financial Reporting Manual*.

- Updated our audit content to reflect changes to HM Treasury's *Government Financial Reporting Manual* on valuing non-investment assets, to ensure our audit content appropriately responds to risks arising from new requirements.

3.8 The standards applied to our VFM work are consistent with international performance audit standards and designed to meet the expectations of the UK Parliament (see Appendix One for further detail).

Safeguarding our independence

3.9 The independence of the Comptroller and Auditor General (C&AG) is protected in statute (paragraph 2.3), and it is key that our ethical values and professional standards are at the heart of the way we do our work. We are required to adopt the FRC's ethical standards, which outline principles of integrity, objectivity and independence and apply to all our people. They also address specific situations in audit and other public interest assurance engagements that could affect user trust and confidence.

3.10 We implemented and applied the revised FRC Ethical Standard 2024 for our audits of periods commencing on or after 15 December 2024. The revised standard introduced a limited relaxation of restrictions on secondments to audited entities, and new protocols for reporting breaches to the FRC, which we have included in our updated audit methodology.

3.11 The C&AG is the designated ethics partner and has overall responsibility for ethical matters. He is supported by the NAO's Ethics Team, which reviews reported conflicts of interest against ethical standards to evaluate perceived or actual threats to independence, and to determine appropriate and effective safeguards. Examples of potential conflicts of interest include staff members leaving to join a body audited by the NAO, staff members with family or close associates working for NAO-audited bodies, and when we consider subletting parts of our headquarters building to bodies we audit.

3.12 We have embedded detailed procedures to identify potential threats to independence and establish appropriate safeguards into our audit methodology. For example, each member of staff must:

- complete an annual Code of Conduct return, confirming they are aware of ethical and professional obligations; and
- sign a declaration of independence on each audit, before involvement in any audit or other public assurance engagement, highlighting where potential or actual conflicts of interest might exist.

3.13 Once safeguards are in place, we check compliance and require individuals and teams to report promptly where circumstances change.

3.14 We may be asked to work on engagements beyond our formal statutory appointment framework. Such work includes auditing entities under the Companies Act, project audits, grant certification, due diligence, specified procedures, international work, and instances where the NAO issues any other form of auditor's report or opinion. When we take on a new engagement or submit a tender to perform non-statutory work, our engagement acceptance process requires us to consider the risk of the engagement against the benefits to the NAO, the public interest of accepting the engagement, and its corporate prioritisation. We apply the same process to re-accept existing audited entities and engagements. New engagements must also be approved by the C&AG.

3.15 In 2025-26, we adhered to required ethical standards except for one breach, which we reported to the FRC. From September 2024, we seconded an NAO director to work with HM Treasury's Office for Value for Money (OVfM). We judged that this was an important opportunity to share our expertise to inform the work of the OVfM. This secondment was initially for 12 months from September 2024 and was extended to 14 months in March 2025. The length of secondment constitutes a breach of the FRC's ethical standard because it was for a longer period than is permitted. Nevertheless, our view was the length of secondment was necessary to maximise the transfer of knowledge to the OVfM.

3.16 We set out these arrangements within the C&AG's audit report on HM Treasury's financial statements for 2024-25 and 2025-26 and put additional measures in place to safeguard the independence of the C&AG. The secondment ended on 31 October 2025.

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Our quality management and assurance model

3.17 Our system of quality management (SoQM) is designed to ensure that our financial and VFM audit work complies with professional standards and identifies and mitigates strategic and technical quality risks.

3.18 Our financial audit policies, procedures and controls (paragraphs 3.21 to 3.35) are subject to the International Standard on Quality Management (UK) 1 issued by the International Auditing and Assurance Standards Board and adopted by the Financial Reporting Council (ISQM 1), tailored to our role and circumstances. We have also chosen to apply the general principles outlined in ISQM 1 to our VFM work to ensure we have aligned our quality management approach where appropriate (paragraphs 3.36 to 3.38).

3.19 At the heart of our financial audit and VFM systems of quality management is a 'three lines of defence' model. This ensures quality is built into all stages of an audit so that the work is of the required technical standard (see **Figure 4**).

3.20 Throughout each stage, where we identify issues, we act to ensure any risks to audit quality are addressed promptly and effectively. To assist us, we have an assurance programme which monitors and evaluates the effectiveness of our SoQM, supported by reliable and timely information to assess any emerging quality risks.

Figure 4

Principles of our ‘Three lines of defence’ model for audit quality

Our model ensures quality throughout all stages of an audit

First line of defence

- Individuals comply with policies and procedures and engage in continuous professional development
- Audit teams draw on appropriately skilled people at the right time
- Audit work is completed to good quality and in line with professional standards

↓

Second line of defence

- Office-wide arrangements to ensure quality
- Design and implementation of system of quality management
- Regular updates to audit manual and methodology
- Technical advice and support, including insight teams providing expertise in specific subject matter areas

↓

Third line of defence

- Monitoring and assurance that is separate and independent from financial audit practice, providing internal and external quality assurance
- Hot and cold reviews
- Root cause analysis

Notes

1 ‘Hot review’ refers to in-house review of financial audits before the audit report is signed.

2 ‘Cold review’ refers to reviews following the completion of the financial audit and its audit report, or following the publication of a value-for-money or wider assurance report.

Source: National Audit Office

Our system of quality management for financial audit

The key elements of our system of quality management

3.21 Our financial audit work must apply ISQM 1. This requires audit firms to design, implement and operate a proactive, risk-based SoQM tailored to the nature and circumstances of the firm and its engagements. The SoQM creates an environment that enables and supports engagement teams to perform quality engagements.

3.22 At its core, ISQM 1 requires firms to:

- set quality objectives across six interrelated components;[3]
- identify and assess quality risks that could threaten achievement of those objectives;
- design and implement responses (such as policies, procedures, controls) to address and reduce risks to an acceptable level;
- monitor and evaluate the SoQM on an ongoing and annual basis to ensure it operates effectively and remains fit for purpose; and
- remediate deficiencies in a timely and appropriate manner, with clear accountability and documentation.

3.23 Our SoQM for financial audit enables us to take a structured approach to assessing and responding to quality risks, as well as to our monitoring, evaluation and remediation processes. It ensures we have policies, procedures and controls in place that support our people to conclude audits which meet expected professional standards in the quality of evidence supporting our audit opinions and reports to Parliament. **Figure 5** illustrates the system and the interplay between its elements.

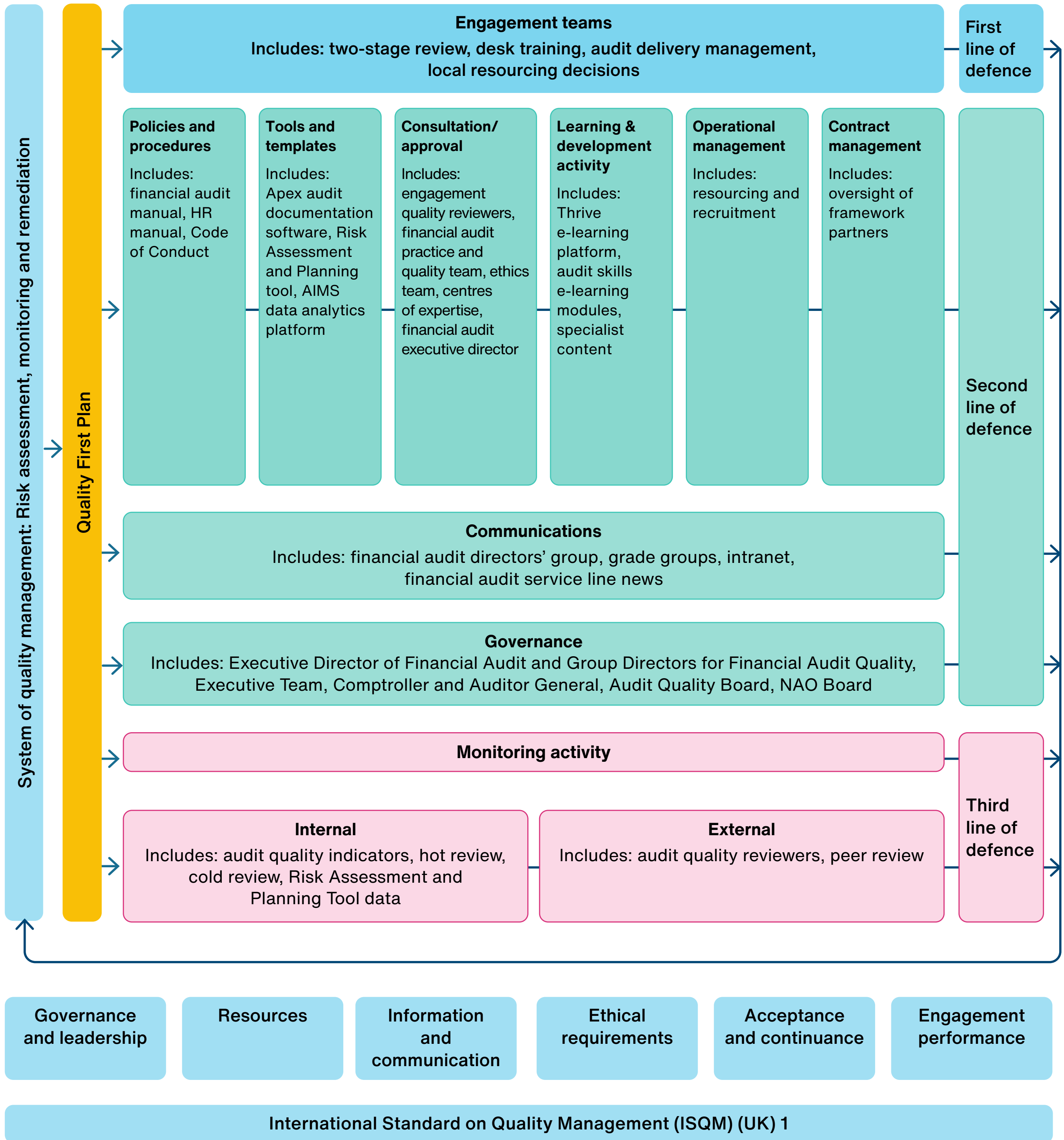
3 These six components are: governance and leadership, relevant ethical requirements, acceptance and continuance of engagements, engagement performance, resources, and information and communication.

Menu

Figure 5

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

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



Source: National Audit Office

3.24 We implemented ISQM 1 by December 2022, as required, and have strengthened our SoQM since. In December 2025, the results of our internal assessment and monitoring enabled us to conclude, for the first time, that we have reasonable assurance that the objectives of our SoQM are being achieved. This represents an important milestone in the development of our system.

3.25 Reasonable assurance means that our SoQM reduces the risk of our quality objectives not being achieved to an acceptably low level. It does not mean that every detailed control operates effectively in all cases, but that the system as a whole is working as intended.

3.26 This position represents a significant improvement compared with December 2023 and 2024, when our monitoring work identified we needed to do more to improve the design, implementation and operation of our SoQM.

3.27 Following its inspection in Spring 2026, the FRC recognised that "the NAO has made significant progress in addressing the matters we raised in our previous reports but acknowledges that there are further improvements to be made and has plans to achieve these".

3.28 During 2026, we will continue to strengthen our SoQM as part of our programme of continuous improvement under our Quality First Plan. Our focus is on embedding the progress we have made, ensuring consistency in how our system operates in practice, and addressing the findings from both our internal monitoring and the FRC's inspection. This includes further refining our SoQM framework, strengthening our monitoring arrangements, and maintaining the momentum established through our Quality First Plan.

3.29 The following section sets out how we manage risks to audit quality and the actions taken to improve further the robustness of our SoQM.

Managing our quality risks

Corporate risk assessment

3.30 Delivering high-quality audit work is integral to the delivery of the NAO's Strategy and for addressing risks to the NAO's reputation, independence and integrity (paragraph 2.23). As such, the risks to audit quality are managed as a key corporate risk (paragraph 2.20).

3.31 At the start of 2025-26, we assessed the risk relating to the quality of our audit work as 'moderate', recognising that we had more to do to embed and sustain the improvement in the quality of our audit work consistently across all our audits. We also had more to do to improve further our SoQM so as to strengthen our detailed assessment of the design and implementation of controls.

3.32 Throughout 2025-26, as a result of our further investment in our audit transformation programme and our Quality First Plan, we saw further improvement in our work as highlighted in our key quality measures (see **Figure 6**). The inspections of our audit files continued to be strong, as evidenced in particular by the external reviews of audit files (see paragraphs 4.12 to 4.17). Also, our assessment of the effectiveness of our SoQM showed a positive trajectory compared with the previous two years (paragraphs 3.24 to 3.27). Consequently, in May 2026, the Audit and Risk Committee endorsed the NAO's assessment that our corporate quality risk is at target level and well managed.

Figure 6

Our audit quality headlines for 2025-26

Our key measures tell us that the quality of our audit work is holding up well, but we have more to do so that we deliver high-quality audits every time

High-quality audits every time	Delivered with pride by our people	Valued by our stakeholders	Effective system of quality management (SoQM)
86% (6/7) AQR **76% (19/25) IR1** **68% (17/25) IR2** **79% (27/34) IR3** Percentage of inspected audit files rated 'good' or 'limited improvement required' **Previous year: 100%, 71%, 71%, 85%**	**7.9/10** Average score across the full range of questions in our latest Financial Audit Quality Culture survey (January 2026) **Previous year: 7.9/10**	**91%** Percentage rating our overall audit quality as 'good' in our 2025 survey of audit committee and finance officials **Previous year: 84%**	✓ Assessment that our SoQM provides reasonable assurance audits and reporting comply with professional standards **Previous year: not met**
External confidence remains strong, with internal reviews identifying where consistency still needs to improve across the wider portfolio. See paragraphs 4.12 to 4.24	People confidence is strong and sustained, with leadership and team behaviours supporting audit quality. See Appendix Three	Stakeholders recognise our audit quality, with a clear ask for greater consistency and proportionality. See Appendix Three	Sound quality foundations are in place, providing confidence while we continue to embed and improve. See Part Three (paragraphs 3.24 to 3.28)

Notes

1 'AQR' refers to the external reviews undertaken by the Financial Reporting Council's Audit Quality Review Team.

2 'IR1' refers to in-house reviews of audits after the audit report is issued – known as "cold reviews" – reviewed on the same scope basis as that adopted by our external reviewers.

3 'IR2' refers to in-house reviews of audits after the audit report is issued – known as "cold reviews" – reviewed against the NAO's quality standards, also covering audit work supporting the C&AG's regularity opinion.

4 'IR3' refers to in-house reviews of audits before the audit report is issued – known as "hot reviews".

Source: National Audit Office

Detailed risk assessment

3.33 To support the management of the NAO's corporate risk, we have adopted the framework in ISQM 1 to assess and manage the detailed risks to financial audit quality (paragraph 3.23) and highlight areas for improvement. We assess the quality risks associated with the six ISQM 1 quality components in a dedicated risk register which outlines the nature and potential impact of each risk, and the controls in place to manage quality risks to an acceptable level.

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

3.35 The most significant risks from these registers, and their status compared with last year for each ISQM 1 risk component, are set out in **Figure 7**. This shows the impact of the actions from our annual Quality First Plans for 2024-25 and 2025-26 and the earlier Audit Transformation Programme. The NAO's risk assessment continues to reflect the improved strength of its SoQM to identify, assess and manage risks to financial audit quality, and our ongoing investment in audit quality. The ratings given to each component reflect a combination of improvements in how specific risks are managed, and the assessment of new and emerging risks at the time of reporting.

Figure 7

National Audit Office (NAO) financial audit quality risks

Overall, the NAO has seen an improvement in its financial audit quality risk rating

	Risk rating June 2025	Risk rating June 2026	Direction of travel during 2025-26	Explanation of status at June 2026
Overall NAO Risk Rating (paragraphs 3.30 to 3.32)			↑	The change in the NAO's assessment of the risk to audit quality reflects the sustained improvements we have seen in terms of the quality of audit work and a strengthened system of quality management (paragraphs 3.24). This conclusion is supported by the underlying detailed risk assessment applying the risk components set out below.
International Standard on Quality Management (UK) 1 risk component assessment				
Resources (human, technological and intellectual) Includes human resources (staff with the competence and capabilities we need), technological resources (such as audit software) and intellectual resources (such as methodology guidance).			↑	The investment we have made through our Audit Transformation Programme and Quality First Plans has led to an improved risk assessment compared with last year. Key actions included strengthening recruitment and retention to increase audit capacity, enhancing our Centres of Expertise, delivering targeted quality training, the further improvement of our Apex audit software and workflows, introducing AI tools and governance, securing a 'reasonable assurance' assessment over our system of quality management for the first time, and accelerating internal reviews and root cause analysis to inform learning and future actions. There are areas where we continue to make good progress but, given their dynamic nature, we need to do more before we are satisfied our responses meet our target risk profile for this specific component. • Managing risks around technology resources as a component within our system of quality management. • Developing and embedding the audit response to the new accounting standards relating to charities. • Streamlining how we deliver our audit work, taking advantage of artificial intelligence and further methodological improvements. These matters are taken forward in our Quality First Plan for 2026-27.
Engagement performance The quality of our audit engagements, for example, whether engagement teams exercise appropriate professional judgement and professional scepticism, whether they receive sufficient direction and supervision, and whether differences of opinion are raised and resolved.			↑	We continue to see a sustained and demonstrable improvement in the quality of audit work, as evidenced through the recent annual external and internal inspections of audit files. This reflects our investment in audit transformation, including a sharper focus on professional judgement and scepticism, financial instruments, and a maturing consultation culture. These have contributed to the upward trajectory in our risk assessment for this component compared with last year. There are areas where we need to make further progress before we are satisfied our responses meet our target risk profile for this component. • We are working to ensure the consistent application of our audit methodology across all our audits and in specific areas such as the audit of regularity. • We continue to work with audited bodies and HM Treasury to promote a consistent understanding of the quality of evidence needed to support financial statements. • Working with audit teams so they are more effective in project and client management, meeting delivery expectations, and completing work in sufficient time to facilitate its effective review. These matters are taken forward in our Quality First Plan for 2026-27.

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Figure 7 *continued*

National Audit Office (NAO) financial audit quality risks

	Risk rating June 2025	Risk rating June 2026	Direction of travel during 2025-26	Explanation of status at June 2026
Governance and leadership How our culture, our leadership's actions and behaviours, our organisational structure and accountability arrangements, and/or our resource management, affect audit quality.			↔	Our positive risk status reflects our strong tone from the top about culture and values which prioritise quality and excellence, reinforced through regular leadership communications to audit teams. During 2025-26, we strengthened our governance further by: • making audit quality an explicit priority in the NAO's new Strategy 2025–2030; • enhancing the Audit Quality Board's remit through expanded membership and enhanced focus on audit quality risks; • using our quality survey to track progress in embedding a 'quality first' culture; and • providing more comprehensive assessment of our quality controls to support the Comptroller and Auditor General's annual evaluation of our quality management system. In April 2026, we published our Quality First Plan for 2026-27, setting out our ongoing focus on the importance of audit quality and promoting initiatives to strengthen our quality culture.
Information and communication The exchange of information within the NAO and with external parties such as audited bodies and regulators.			↔	Our positive risk status reflects the robust information and communication systems we have in place to support audit delivery, and our work to embed the use of audit quality indicators. During 2025-26, this included: • providing periodic Board level audit quality indicators tracking progress against five domains: areas of strategic importance, audit delivery, quality of audit work, people, and views from stakeholders; • using weekly delivery reports to support the Executive Team in managing risks to quality and delivery; and • leveraging our new audit software to support the real-time monitoring of progress on individual audits.
Engagement acceptance and continuance Our judgements about whether it is appropriate to accept or continue a client relationship or specific engagement.			↔	Our positive risk status reflects the statutory nature of our appointment to most of our audit work. We further strengthened our response to quality risks in this area by establishing a new governance process for accepting the new Train Operating Company audits. Our monitoring work in 2025 identified limited instances which point to the need for stronger controls to be applied when we accept new work, in line with the auditing standards.
Ethical requirements Our compliance with relevant ethical requirements, including those related to independence.			↔	Our positive risk status reflects the Comptroller and Auditor General's statutory independence as well as our mature policies and procedures for managing ethical risks. Our procedures enable us to identify and respond to potential conflicts of interest as they arise, including the application of appropriate safeguards. On rare occasions where, following due consideration, we take an action that may result in a perceived or actual breach of the ethical standards, we report promptly to the Financial Reporting Council – there was one such matter in 2025 (paragraph 3.15).

Note

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

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

Our system of quality management for VFM and wider assurance work

The key elements of our system of quality management

3.36 All our VFM work must meet our quality standards (**Figure 8**). Each year, we review a selection of reports to check compliance with these standards, showcase good practice and identify ways to strengthen our system of quality management. This year, we carried out internal reviews of 12 reports, while external contractors assessed a further 20.

Figure 8

Value-for-money quality standards

The standards we apply to our work support our desired outcomes

We are:

Independent

We meet international standards for quality, behaviour and ethics.

Professional

We meet our legal and professional obligations.

Open

We value different perspectives and invite feedback and challenge.

Efficient

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

Our work is seen as:

Relevant

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

Accurate

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

Accessible

Our work is clear, inclusive and engaging.

Focused on outcomes

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

Source: National Audit Office

3.37 Our independent reviews include the following.

- **Internal cold reviews:** These are post-publication reviews of a sample of our VFM and wider assurance products. Independent reviewers assess how well the findings and conclusions of these reports match the underlying evidence, and the quality and accuracy with which the audit is documented.

- **External cold reviews:** Three external organisations examine our reports, reviewing the clarity of the report including the appropriateness of methods used, graphics, and statistics.

3.38 After audits are completed, we conduct the following.

- **Post-project reviews:** Audit teams participate in facilitated discussions to assess areas of good practice and areas of improvement that have arisen during the report process.

- **Post-publication surveys:** Audited bodies provide feedback on our reports and their experience of the VFM audit process.

04

The quality of our financial audit work

The quality of our financial audit work

4.1 This part:

- outlines the measures we put in place during 2025-26 to enhance the quality of our financial audit work through the delivery of actions set out in our annual Quality First Plan (QFP);
- sets out outcomes of the most recent quality reviews from a sample of our financial audits; and
- identifies key areas for improvement and our plans to address these.

Our Quality First Plan

4.2 The National Audit Office's (NAO's) QFP, which is refreshed annually, is a core part of our five-year strategy and is a significant investment in our audit work and people. The QFP creates the conditions for teams to deliver consistently high-quality audits, strengthen audit quality culture, ensure audits are valued by our stakeholders and the bodies we audit, and strengthen our system of quality management. These conditions form the QFP's four objectives supported by six pillars, each of which has an extensive work programme that form the core elements of the Plan (**Figure 9)**.

Figure 9

The National Audit Office's financial audit Quality First Plan

Four quality objectives are underpinned by six delivery pillars

Quality First Plan objectives:

High-quality audits every time	Delivered with pride by our people	Valued by our stakeholders	Effective system of quality management (SoQM)

Pillars for delivery:

Learning and culture	Resources	Methodology and support	Technology	Assurance	Our context
Building the behaviours, leadership and culture that support consistently high-quality audit	Addressing workload, productivity, planning and how we resource and contract out audits	Clear and proportionate requirements, strong technical support, and streamlining where risk is low	Using data, digital tools and artificial intelligence to support quality, consistency and productivity	Robust SoQM, monitoring, inspection and learning to provide confidence in audit quality	Influencing the wider reporting and audit environment to support proportionate, high-quality outcomes

Source: National Audit Office Quality First Plan 2026-27

Quality First Plan 2025-26

4.3 In 2024-25, we published our first QFP and delivered its key investment that stabilised our audit practice. We also invested in our people, developed and implemented our Apex audit software platform, strengthened our system of quality management (SoQM), and removed barriers to delivering high-quality audits.

4.4 In April 2025, we published our second QFP, for 2025-26. This aimed to consolidate and sustain the progress we had made in the previous year. During the year, we delivered actions for each of the six delivery pillars (**Figure 10**) including the following.

- **Technology:** Continuous improvement of the NAO's bespoke Apex audit software in response to user feedback, culminating in our Audit Transformation Programme winning the 2025 Public Finance Awards Digital Finance Project of the year.
- **Learning and culture:** Embedding our Accelerator training programme as business as usual to equip our financial auditors with the ongoing skills and knowledge needed to meet professional standards (see paragraphs 6.16 to 6.19). A director was appointed with responsibility for the audit quality culture workstream of our QFP to develop this as an area of focus through 2026-27.
- **Assurance:** Strengthening our SoQM further through more focused design and implementation of key controls which managed our quality risks, and enhancing of our monitoring and evaluation of the effectiveness of our system (see paragraphs 3.24 to 3.27).
- **Our context:** Publication of our first annual **Financial Audit Insights Report**,[3] which supported Parliament's increased scrutiny of financial management and reporting issues in government bodies; also, building on the Comptroller and Auditor General's (C&AG's) ***Accountability in small government bodies*** report,[4] continued to work with HM Treasury and other stakeholders to develop a more proportionate reporting and audit environment, particularly for smaller and less complex entities, supporting better audit outcomes across government.

3 National Audit Office, ***Audit insights: lessons and findings form the NAO's financial audits in 2024-25***, January 2026.

4 National Audit Office, ***Accountability in small government bodies***, June 2025.

Figure 10

An overview of achievements from our Quality First Plan during 2025-26

There was sustained progress against all six delivery pillars of our plan in 2025-26

Learning and culture	Resources	Methodology and support	Technology	Assurance	Our context
Accelerator training programme now established as key biannual learning update	**Increased capacity** to support audit portfolio changes, including preparations for new Train Operating Company audits	**Audit approach streamlined through** changes to materiality, group boundary and estimates impact	Continuous improvement of **Apex software** in response to user feedback **New journals app** resolves long-term quality issues	Continuous improvement to our **system of quality management**	First annual **Audit Insights Report** supports Parliamentary engagement with financial management and reporting issues
Continued rollout of **new Financial Audit learning and development curriculum**	Apex data used to ensure more **consistent approach to risk management and operational planning** for comparable audits	Comprehensive support for **IFRS 17 implementation** provided to teams	**Improvements to AIMS** to make data management quicker and easier for teams in 2026 **Digital and Data plans implemented**, providing a planned approach to auditing technology use	Enhanced approach to **root cause analysis** is helping us learn and improve more effectively	Our **Accountability in small government bodies** report leads Public Accounts Committee to recommend simplification options
Director lead appointed **for audit quality culture**, alongside new work to continue strengthening culture	**Early people moves process maintained**, creating more certainty for teams and supporting earlier planning	Continuous improvement in **Apex audit content** to support quality and earlier planning by teams	Teams on **Copilot pilot** ahead of autumn 2026 rollout, bringing quality and efficiency benefits	Increased use of Apex data in **reporting audit quality indicators** to better manage quality and delivery risks	Closer engagement with **HM Treasury and Government Finance Function** is improving how we work with audited bodies

Notes

1 Accelerator programmes consist of modular and in-person training sessions in the spring and autumn of each year equipping auditors with the skills and materials they need for the audit work in which they are engaged.

2 Apex is the National Audit Office's audit software.

3 IFRS 17 is the financial reporting standard covering insurance contracts.

4 'AIMS' refers to Audit Information Management System, a cloud-based data analytics platform used by the National Audit Office our financial audits.

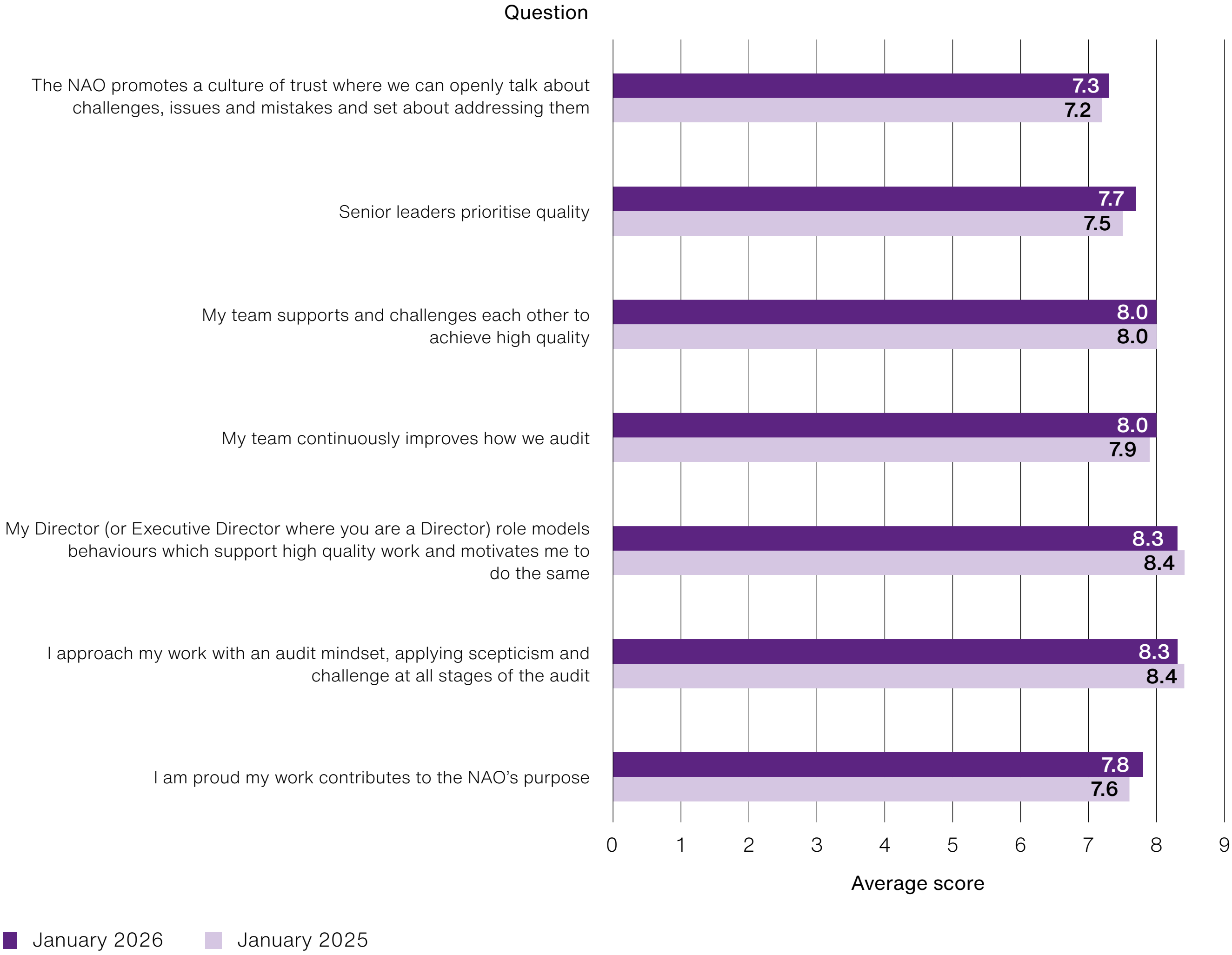
Source: National Audit Office

4.5 To support our progress under the Learning and Culture pillar, we introduced a financial audit quality survey within our People Survey in May 2024. The outcomes from this survey help us to understand and build our culture based on our people's views about audit quality. Our latest survey, in January 2026, indicated that our audit quality culture has continued to improve. The results show that the average scores improved during the year in four out of seven areas and fell marginally in two (**Figure 11**). Findings from this survey, and our wider People Survey (see paragraphs 6.42 to 6.43), informed development of the QFP for 2026-27.

Figure 11

Financial audit quality survey results, 2025 to 2026

Average scores improved for four out of seven quality areas between 2025 and 2026



Note

1 Responses were provided on a scale of 0 to 10.

2 The average score across the categories is 7.9 in 2026 (7.9 in 2005).

Source: National Audit Office

Quality First Plan 2026-27

4.6 In April 2026, building on the strong foundations already in place, the NAO launched its third QFP for 2026-27 (**Figure 12**).

Figure 12

The National Audit Office's Quality First Plan 2026-27

Our Plan in 2026-27 embeds what works and makes continuous improvement business-as-usual

Learning and culture	Resources	Methodology and support
Clear expectations and behaviours that help teams deliver quality consistently — **especially under pressure**	Addressing workload to focus on judgement and audit quality, including **Copilot** and stronger support for **contracted-out audits**	**Simpler, more proportionate approaches** where risk is low, with clearer requirements for small and less complex audits
Technology	**Assurance**	**Our context**
Audits that are **more data-led by default**, supported by Digital & Data Plans, a clear Audit Technology Roadmap, and learning and development for our people	Earlier visibility of quality risks through timely file inspections and monitoring work and **confidence in a strong and effective system of quality management**	Working with HM Treasury and other stakeholders to develop a more **proportionate reporting and audit environment**, supporting better audit outcomes across government

4.7 Our inspection programmes in 2025-26 (paragraphs 4.9 to 4.24) indicate there are no systemic weaknesses in audit methodology or technical capability. Instead, they point to the need for us to continue to strengthen our audit quality culture and behaviours. For example, audit teams need to more consistently apply and demonstrate evidence of their professional judgement and constructive challenge, ensure timely escalation and consultation on key issues and clear ownership of quality by everyone in the team throughout the duration of the audit, and adopt behaviours that support consistent delivery at pace.

4.8 Our QFP for 2026-27 sets out our priorities which include focus on culture and setting clear expectations and behaviours that help teams deliver quality consistently, especially when under pressure. We will embed these behaviours through clear leadership expectations and learning and development, building support into our existing quality processes, and through the recruitment and retention of staff (Part Six).

Quality reviews

4.9 We are committed to all our financial audit work meeting quality standards, and we have rigorous internal and external quality inspection regimes in place. These inspections review a sample of audit files taken from our population of certified audits each year, and each inspection checks whether the individual audit has complied with the NAO's Financial Audit Manual and International Standards on Auditing (UK).

4.10 Our aspiration is that all our audits meet quality standards every time. We recognise that this is not always achievable, and we therefore have set a floor target of at least 70%. We measure our performance against this ambition through our inspections of a sample of audits each year, where the quality of each audit reviewed is graded into one of four grades.

- Good.
- Requiring only limited improvements.
- Improvements required.
- Significant improvements required.

4.11 Audits in the first two grades are judged to meet our quality standards. Where reviews identify deficiencies, we learn and act on individual audits quickly to prevent issues recurring.

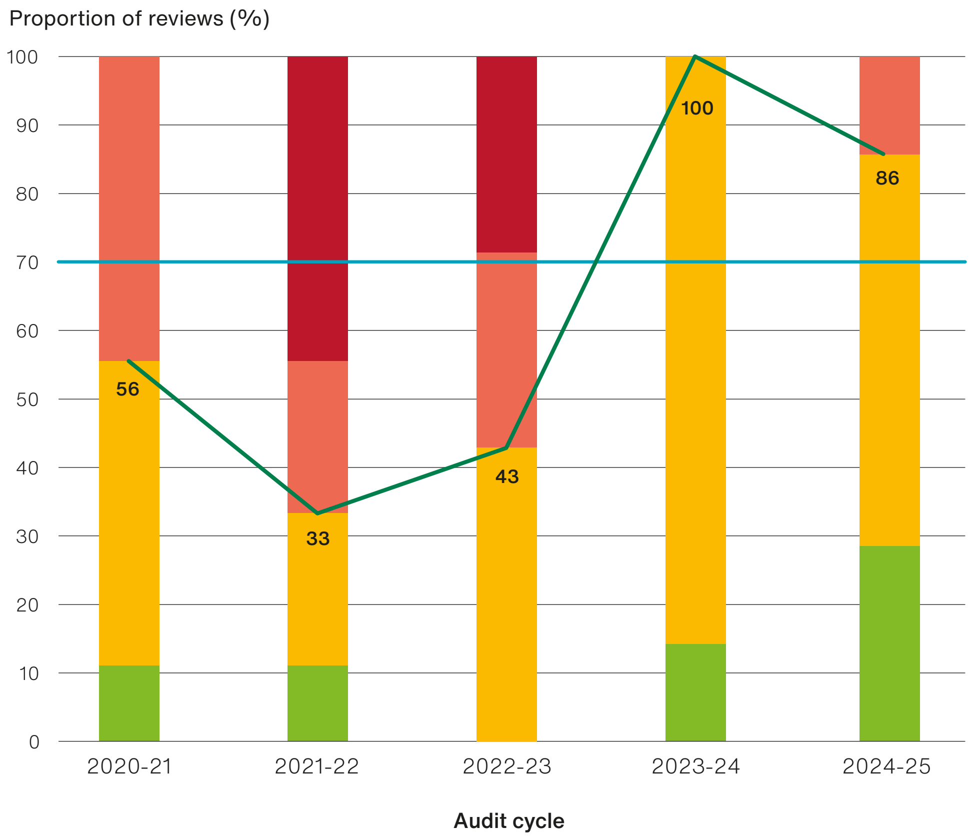
External quality reviews

4.12 The Financial Reporting Council's (FRC's) Audit Quality Review team (AQR) reviewed a sample of seven 2024-25 audits: five conducted under the Companies Act and two from the NAO's wider portfolio. This was the same number of audits reviewed the previous year. Of these, 86% (six out of seven) were assessed as 'good' or 'requiring only limited improvements', consolidating the significant improvements seen for 2023-24 audits. **Figure 13** presents the results from our external quality reviews from 2020-21 to 2024-25.

Figure 13

National Audit Office results from external quality reviews, 2020-21 to 2024-25

Our external quality review results have been above target for the last two years



	2020-21	2021-22	2022-23	2023-24	2024-25
Below the quality threshold					
Significant improvements required	0	4	2	0	0
Improvements required	4	2	2	0	1
Above the quality threshold					
Limited improvements required	4	2	3	6	4
Good	1	1	0	1	2
Total	**9**	**9**	**7**	**7**	**7**
Target	70%	70%	70%	70%	70%
Proportion meeting target	56%	33%	43%	100%	86%

Note

1 Target is that at least 70% of audits reviewed each year are rated as meeting the National Audit Office's quality standards.

Source: Results from the external review of National Audit Office audit files

4.13 Following its inspection of a sample of our 2024-25 audits, the AQR highlighted that it has seen improvements in our audit quality over the last three audit cycles, following two years in which it had declined. It noted that the NAO, in recent years, had rolled out its audit transformation and Quality First programmes, enhanced audit methodology, developed centres of expertise, and introduced new template workbooks and new audit software. The impact of these initiatives is now being seen in enhanced audit quality, and the good inspection results again this year reflect the significant investments made by the NAO.

4.14 The AQR found several areas of good practice. For example, on one audit of a complex group, the audit team undertook a thorough and detailed risk assessment, evaluating risks at group and component levels to determine the appropriate audit scope. On another audit, there was clear articulation of journal selection risk criteria, demonstrating how planning procedures and identified fraud risks were explicitly addressed.

4.15 The AQR did identify areas for improvement on one of our audits, where we should have done more to:

- evaluate the key management data inputs and management assumptions within expected credit loss provisions;
- challenge management's judgement in recognising material reductions in the repayable capital grant liability; and
- challenge management on the market-equivalent discount rate used in the valuation of loans.

4.16 Our Quality First Plan 2026-27 includes specific actions to address these findings.

4.17 Further detail on the external financial audit inspection framework is in Appendix Two.

Internal quality reviews

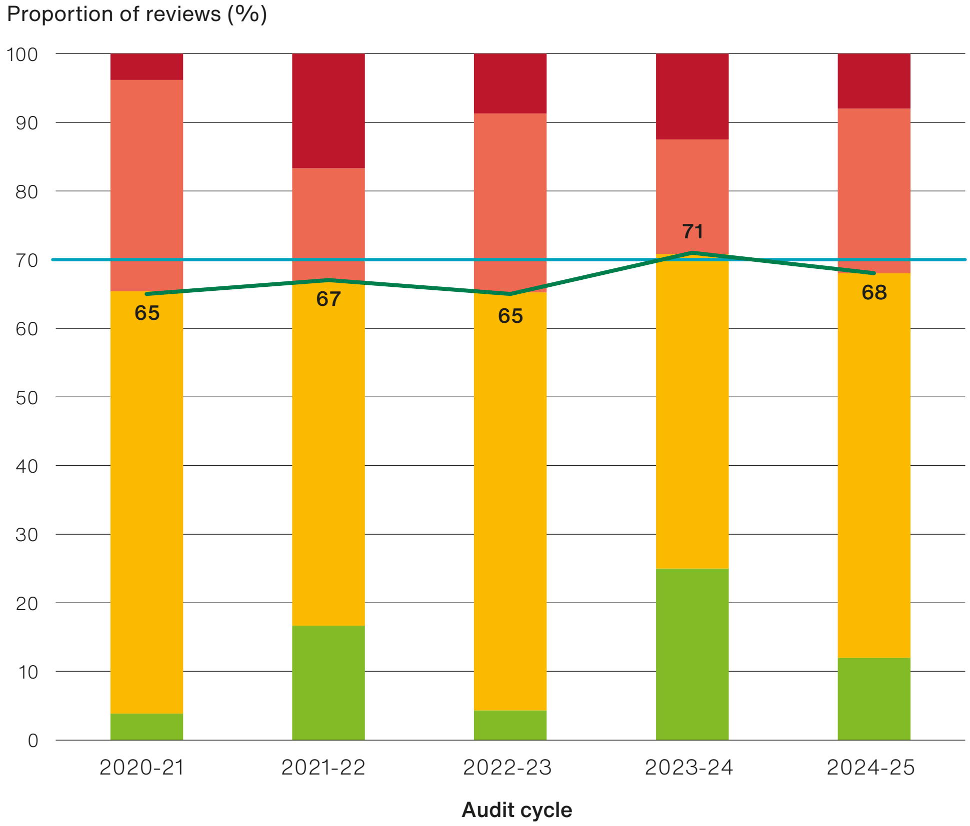
4.18 The NAO's Financial Audit Compliance and Assurance Team manages an independent annual internal quality assurance programme, reviewing a representative sample of completed audits each year. These reviews are undertaken by independent audit managers and senior audit managers and are overseen by a group of experienced financial audit directors.

4.19 During 2025-26, the NAO reviewed 25 audits from the 2024-25 audit cycle (compared with 24 audits from 2023-24 in the previous year). At a headline level, 68% of audits reviewed (17 of the 25) met our standards, just below our 70% floor target (see **Figure 14**). This is a slight decrease from 71% in the prior year.

Figure 14

National Audit Office results from internal quality reviews, 2020-21 to 2024-25, adopting in-house quality standards

Our results have been consistent over the last five years



	2020-21	2021-22	2022-23	2023-24	2024-25
Below the quality threshold					
Significant improvements required	1	4	2	3	2
Improvements required	8	4	6	4	6
Above the quality threshold					
Limited improvements required	16	12	14	11	14
Good	1	4	1	6	3
Total	**26**	**24**	**23**	**24**	**25**
Target	70%	70%	70%	70%	70%
Proportion meeting target	65%	67%	65%	71%	68%

Note

1 Target is that at least 70% of audits reviewed each year are rated as meeting quality standards.

Source: National Audit Office results from internal audit file reviews

Menu

4.20 Our analysis of the reasons behind the eight audits which did not meet our quality standards shows that the result was largely driven by a small number of specific, well-defined issues, rather than a general deterioration in audit quality. Of these specific issues, the grades on two audits were driven solely because of the lack of sufficient evidence supporting the regularity opinion.

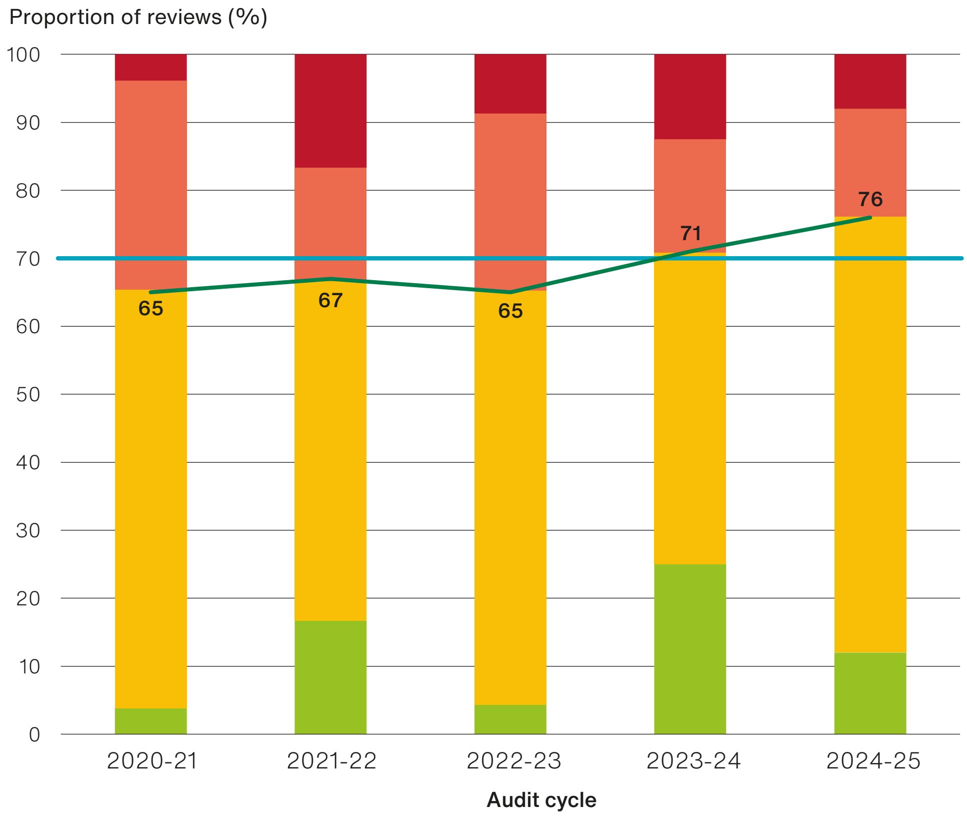
4.21 Our regularity work supports a separate audit opinion for most of our audits. However, the AQR's inspection scope does not cover regularity. If we align the cold review remit to that of the AQR, the outcome is 76% (**Figure 15**). This is consistent with the direction of travel seen from our external inspections. Both these perspectives are important and inform our conclusions and actions for improvement.

Menu

Figure 15

National Audit Office results from internal quality reviews, 2020-21 to 2024-25, when their scope is aligned to that of external inspections to exclude the impact of findings related to regularity

When our internal audit reviews are scope-aligned, our results have been above target for the last two years



	2020-21	2021-22	2022-23	2023-24	2024-25
Below the quality threshold					
Significant improvements required	1	4	2	3	2
Improvements required	8	4	6	4	4
Above the quality threshold					
Limited improvements required	16	12	14	11	16
Good	1	4	1	6	3
Total	**26**	**24**	**23**	**24**	**25**
Target	70%	70%	70%	70%	70%
Proportion meeting target	65%	67%	65%	71%	76%

Notes

1 The 'proportion meeting target' percentages above are adjusted from those shown in Figure 14 to align the remit of our in-house reviews to that of the Financial Reporting Council's Audit Quality Review team which does not review work supporting the Comptroller and Auditor General's regularity opinion.

2 Target is that at least 70% of audits reviewed each year are rated as meeting quality standards.

Source: National Audit Office results from internal audit file reviews

4.22 Findings from these reviews in 2025-26 primarily reflect specific issues driving the grades, rather than widespread failure to meet our standards. We do not consider these findings to indicate a flaw in our audit methodology. However, they do highlight that we need to do more to ensure that:

- our standards are applied consistently every time;
- teams follow test steps and provide the detail asked of them in our work programmes and templates; and
- first- and second-stage reviews are sufficient to confirm that teams have done this and taken additional action where this has not been done, even on our smaller audits.

4.23 The focus of our QFP 2026-27 is on ensuring that we build on the progress we have made, and that high-quality audit is delivered consistently, efficiently and confidently across our full portfolio.

4.24 Finally, we also undertake a programme of peer reviews before certification for audits that we consider more complex or high-profile. These are known as 'hot reviews' and provide independent challenge to audit teams on the quality of evidence presented in their audit file. They provide early indications about the effectiveness of our quality interventions and where we might need to introduce additional measures to further strengthen our approach. Our programme reviewing 2024-25 audits, which we completed in 2025-26, highlighted that 79% of audits examined (27 audits from a sample of 34) met our quality standards (85% of those 2023-24 audits reviewed during 2024-25).

Key actions following our quality reviews

4.25 An annual programme of root cause analysis (RCA) is carried out following the completion of our quality reviews, which identifies learning from the outcomes of these reviews to further strengthen our quality management system.

4.26 During 2025-26, we continued to apply RCA to audits that our quality reviews found did not meet required standards. The findings from our quality reviews and our RCA inform our training programmes and are reflected in our revised QFP.

4.27 In 2025-26, we analysed the behaviours that lead to consistently good quality audit outcomes, and used these to inform our mandatory financial audit training programme for spring 2026 (**Figure 16**).

Figure 16

The root causes of good quality

Good quality is underpinned by different behaviours at the individual and team levels

Source: National Audit Office

4.28 We also apply RCA to identify NAO-wide issues. In 2025, we conducted RCA following the FRC's findings on International Standard on Quality Management (UK) 1 (ISQM 1) and on late delivery of audits. We also undertook our annual review of audits where there were prior period adjustments.

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

05

The quality of our value-for-money work

Menu

The quality of our value-for-money work

Quality assurance arrangements

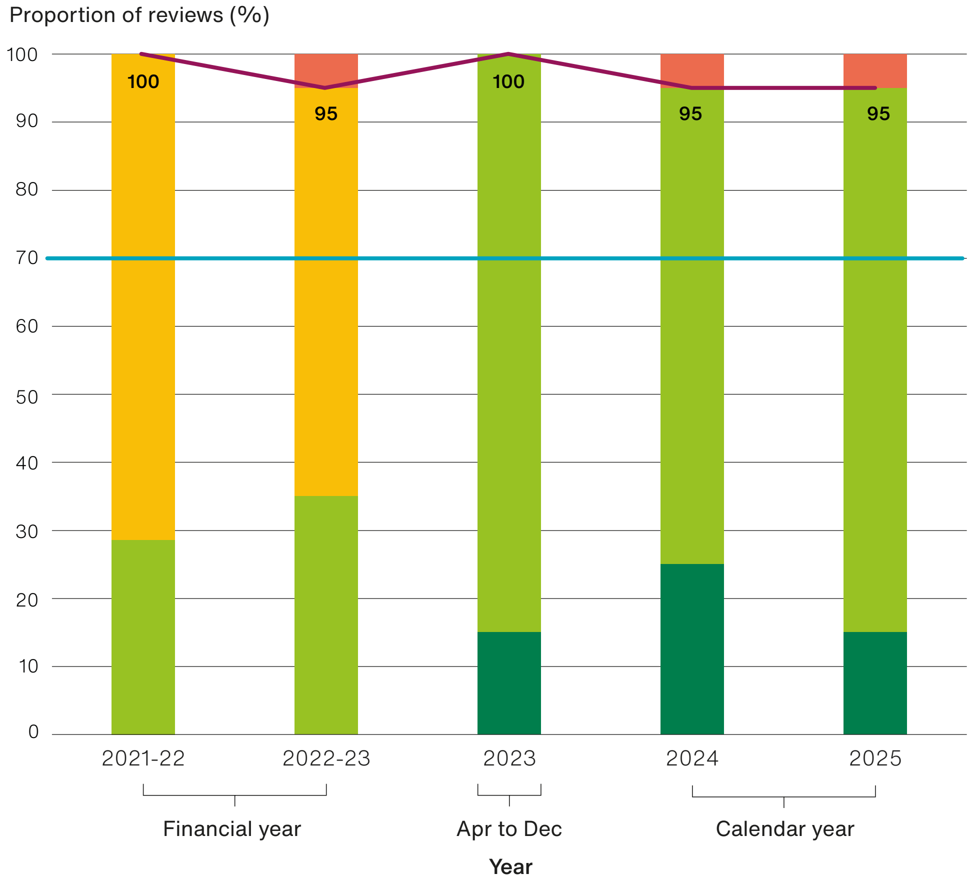
External cold review results

5.1 In 2025, 20 reports – a third of our value-for-money and wider assurance outputs – were externally reviewed. The reviews were conducted by Grant Thornton, RAND Europe and Risk Solutions. In 2025, 19 out of 20 reports met our standards, including three judged to be 'good/best practice', and 16 were rated as 'good with limited improvements'. One was rated 'areas for improvement'. **Figure 17** presents our 2025 results compared to review outcomes over the last five years.

Figure 17

Value-for-money external cold review results, 2021-22 to 2025

External cold reviews have been above target for the last five years



	2021-22	2022-23	2023	2024	2025
Below the quality threshold					
Significant areas for improvement	0	0	0	0	0
Areas for improvement	0	1	0	1	1
Above the quality threshold					
A sound performance and the expected standard for an organisation such as the National Audit Office	10	12	–	–	–
Good with limited improvements needed	4	7	17	14	16
Good/best practice	0	0	3	5	3
Total	**14**	**20**	**20**	**20**	**20**
Target	70%	70%	70%	70%	70%
Proportion meeting target	100%	95%	100%	95%	95%

Figure 17 *continued*

Value-for-money external cold review results, 2021-22 to 2025

Notes

1 We changed our review ratings in 2023 to focus the reviews more closely on our new value-for-money standards and introduced a four-point rating scale. This new scale is consistent with our internal cold review approach. This means that the middle 'pass' category no longer exists.

2 The financial years shown in this figure refer to the year in which the reports in the sample were published. For 2023, reports published between 1 April and 31 December of that year were included in the sample. For 2024, reports published in that calendar year were included.

3 External cold reviews allow us to draw conclusions about the quality of the reports in the sample. The results shown in this figure cannot be extrapolated to apply to all value-for-money and wider assurance products.

4 Target is that at least 70% of reports reviewed each year are rated as meeting the National Audit Office's quality standards.

5 See Appendix Two for external review criteria.

Source: National Audit Office analysis of internal data

Strengths

5.2 Our reviewers assessed most reports as having coherent narratives that linked findings, conclusions and recommendations. Reviewers broadly commended our reports for their readability and logical organisation. As in previous years, reviewers considered that our reports made effective use of quantitative and qualitative analysis, and illustrative case studies. They often found the recommendations made in our reports were practical, identifying specific actions and their deadlines, and those responsible for implementation. Reviewers were especially positive about reports where the reasons for recommendations and their expected outcomes were clear.

Areas for improvement

5.3 Our external reviewers found the key facts sections of reports occasionally lacked sufficient context or could at times be overly long or unclear. Reviewers also noted there was limited referencing of qualitative evidence and occasional use of undefined technical terms, reducing accessibility. Additionally, reviewers suggested that some reports could be better drafted to support their value-for-money judgements, and that recommendations could be expanded to cover a broader range of issues.

5.4 Further detail on the external inspection framework is in Appendix Two.

Internal cold review results

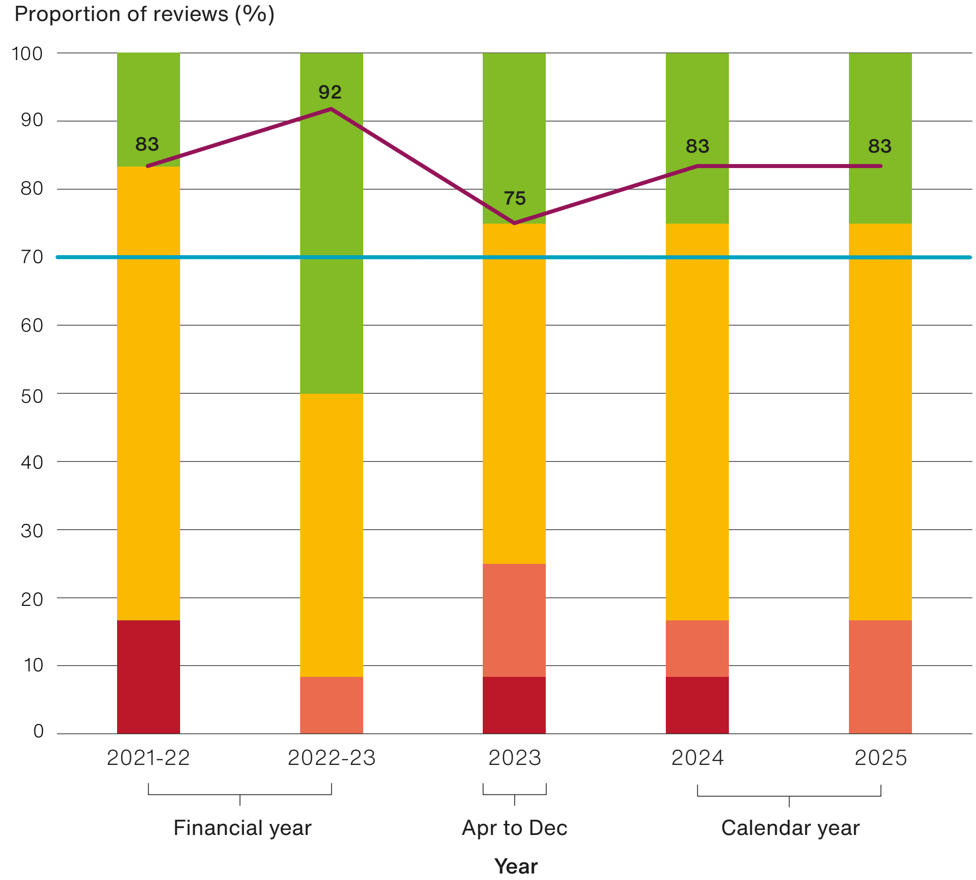
5.5 In 2025, we carried out internal cold reviews of 12 of our reports: a fifth of our published value-for-money (VFM), investigation, and lessons learned outputs. Of these, reviewers rated 10 as meeting our standards, either as good/best practice or good with limited improvements. Internal reviewers rated two reports as having areas for improvement, and no reports were rated as having significant areas for improvement. **Figure 18** shows the review outcomes for the last five years.

Menu

Figure 18

Value-for-money internal cold review results, 2021-22 to 2025

Internal cold reviews have been above target for the last five years



	2021-22	2022-23	2023	2024	2025
Below the quality threshold					
Significant areas for improvement	2	0	1	1	0
Areas for improvement	0	1	2	1	2
Above the quality threshold					
Good with limited improvements needed	8	5	6	7	7
Good/best practice	2	6	3	3	3
Total	**10**	**12**	**11**	**11**	**12**
Target	70%	70%	70%	70%	70%
Proportion meeting target	83%	92%	75%	83%	83%

Notes

1 The financial years shown in this figure refer to the year in which the reports in the sample were published. For 2023, reports published between 1 April and 31 December of that year were included. For 2024 and 2025, reports published in that calendar year were included.

2 The internal cold reviews allow us to draw conclusions about the quality of the reports in the sample. The results shown in this figure cannot be extrapolated to apply to all value for money and wider assurance products.

3 Target is that at least 70% of reports reviewed each year are rated as meeting quality standards.

Source: National Audit Office analysis of internal data and Appendix One

Strengths

5.6 Our internal reviews found that teams generally followed guidance and upheld high ethical standards. Reviewers also highlighted that our reports met standards in professionalism, independence, and effective risk management at all study stages.

5.7 Internal reviewers noted that teams often took steps to ensure that reports were accessible and understandable to lay readers, such as reviewing graphics and complying with methodological standards. As a result, reviewers considered that complex information was often presented clearly, making reports accessible to a wide audience.

Areas for improvement

5.8 Internal reviewers noted that documents used to support the evidence contained in reports (evidence bases) could be clearer, for example by better signposting to primary evidence and more consistent documentation of evidence base review. Reviewers considered that greater consistency was needed between teams regarding the amount of evidence used to support audit judgements, especially in lessons learned reports. Reviewers also highlighted that, although most teams' reviews of their evidence bases were thorough, there was scope to improve the documentation of independent and director-level review. Reviewers occasionally found there was scope for more detailed recording of changes made to reports as they were being cleared for publication with audited bodies.

Findings from post-project reviews

5.9 Our post-project reviews throughout the year found teams placed a strong emphasis on maintaining a clear and tightly defined scope, with regular reviews to address changes in the audit environment. Teams also considered early engagement with audited bodies important for effective delivery. Several teams noted challenges in accessing departmental data, often stemming from delays in clarifying the National Audit Office's (NAO's) remit and access rights. Teams often reflected on significant pressures during the final stages of a report, including tight clearance timetables, laten changes, and complicated communication across different NAO teams, such as coordinating responses among various knowledge hubs. Teams also identified the need for greater clarity on the level of detail required in evidence base documents.

Findings from post-publication surveys

5.10 In 2025, we received 39 survey responses from audited bodies, covering 28 of our published reports. All respondents agreed that audit teams had a thorough understanding of their organisation, which enabled an effective audit. The majority also expressed high satisfaction with how audit teams responded to their comments on the factual accuracy of reports, frequently describing the process as efficient and timely. Most respondents agreed that our work encouraged their organisations to re-examine the subject matter the NAO had assessed and pursue improvements. They also considered our reports to be instrumental in supporting Parliament.

5.11 Survey respondents suggested areas where there was scope for improvement. These included involving audited bodies earlier in developing the scope of audits, refining and clarifying information requests, and providing recommendations that were both relevant and actionable.

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VFM quality assurance improvement plans

5.12 Over the past year, we strengthened quality and capability across our VFM and wider programme, in line with our strategy. We expanded how we share insights and good practice from our work, supported staff development and improved our processes and use of technology. We:

- developed Audit Quality Indicators to support improved visibility and internal reporting of quality for our Audit Quality Board;
- simplified core processes and automated mandatory requirements to streamline ways of working;
- refined guidance materials to improve the style, navigation and accessibility of our reports;
- delivered VFM showcases for colleagues to share their experiences of best practice identified in our quality reviews;
- supported staff development by expanding the learning and development curriculum, including mandatory events on project management and scoping, and delivering inductions for new analysts; and
- piloted the use of Microsoft 365 Copilot (Copilot) to support our work, and developed practical guidance on its use, including:
  - being explicit about the appropriate safeguards, which explain how to use Copilot tools safely and effectively;
  - demonstrating how artificial intelligence (AI) can help in our work;
  - developing a prompt library providing detailed suggestions of ways to try Copilot; and
  - producing other resources, including good practice guides, tips, videos and more (see paragraph 6.27 to 6.30 for more detail about use of AI across the NAO during 2025-26).

Our 2026-27 plans

5.13 Our 2025 inspection regime demonstrated that the quality of our work remains high. There are also opportunities to refine, improve and strengthen our processes to support the quality of our VFM programme. We have identified four priorities for 2026-27.

- **Standards and quality:** Streamline and clarify VFM standards and processes, strengthen monitoring and guidance, and improve consistency in drafting and evidence expectations.
- **New tools and methods:** Support office-wide adoption of Copilot and other technologies and embed them into our processes to enhance analysis and efficiency.
- **Learning and development:** Deliver a targeted VFM learning and development programme to address knowledge gaps and support quality improvements, including refreshed induction and training aligned to new technologies and ways of working.
- **Communication and good practice:** Increase the visibility of quality leadership by strengthening the Value for Money Practice and Quality team's engagement with colleagues and providing more opportunities for practical support and dialogue through office-wide showcases and other forums.

06

Culture and People

Culture and people

Our quality culture

6.1 Our culture sets the tone for delivering high-quality work to meet the National Audit Office's (NAO's) strategic objectives. It guides us in how we support the Comptroller and Auditor General as Parliament's independent auditor to act in the public interest and place objectivity and professional scepticism at the heart of our work.

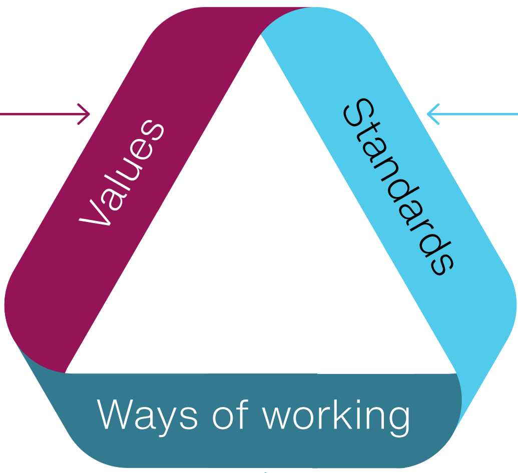
6.2 We promote an open and supportive culture in which quality issues are identified and addressed constructively, and where continuous improvement is expected. We empower our people to challenge constructively, act with courage, collaborate, uphold the highest standards of ethical behaviour, and meet professional standards (**Figure 19**). This ensures we deliver high-quality audit and insights that strengthen financial management and reporting across government, and help deliver better outcomes and value for money for citizens.

Figure 19

Our quality culture

Our values, standards and ways of working underpin our approach to audit quality

Our culture and values shape our ways of working and how we behave. We strive for excellence and care about high-quality work that makes a difference. We work together and share our knowledge and expertise, and we apply professional standards alongside objectivity and scepticism throughout our work.



We work to meet professional standards when delivering financial audit and value-for-money work, based on international auditing requirements and National Audit Office best practice and values.

The way we approach our work and collaborate with each other is key to meeting quality standards, and we set clear expectations for how we do this in line with our values.

Source: National Audit Office

6.3 In this part, we highlight the actions taken during the year to continue building our inclusive culture. This is important to maintain our competitiveness as a professional audit body that attracts talented and diverse people, and which supports their development, so they have the skills and capabilities to continue meeting our objective to deliver high-quality audit work.

Attracting talent to join the National Audit Office

6.4 We remain committed to attracting talented individuals to the NAO and are cognisant of the competitive landscape for audit, accountancy and specialist skills. Our strategy offers rewarding work, clear development opportunities and a genuinely inclusive working environment. In 2025-26, we enhanced our recruitment efforts across graduate, apprentice and experienced hire routes, placing particular emphasis on strengthening our employer brand and widening access, especially within the North East region.

Growing our North East presence

6.5 We implemented our strategy to increase interest in our Newcastle office and build our employer brand in the North East, based on sustained engagement instead of sporadic activity such as one-off recruitment drives. We developed stronger links with universities in Newcastle, Northumbria, Sunderland, Durham and Teesside, and expanded our outreach through careers fairs, skills workshops, employer talks and a more visible campus presence.

6.6 These activities help local students gain a clear and realistic view of careers at the NAO, the impact of our work, and the opportunities available outside London. As a result, we have seen higher engagement at events, stronger relationships with university careers teams and greater awareness of the NAO as a public service employer offering long-term development and progression. This supports our wider goals of regional growth, social mobility and increased access to the profession.

Accountancy trainee recruitment

6.7 Our graduate and apprentice programmes remain central to our resourcing model. In 2025, we welcomed 52 graduates and 12 apprentices. Our annual recruitment campaign launches in autumn and concludes in spring, enabling us to plan workforce requirements with confidence. Graduates can start early in March, gaining valuable audit experience before formal training, or begin in September after graduation. This flexible approach supports a broader range of candidates and learning journeys.

6.8 We are redesigning the NAO Accountancy Trainee recruitment and selection process as part of our ongoing commitment to improvement. The new process will be more transparent, inclusive, and better aligned to the key skills and behaviours needed at the NAO, while maintaining high professional standards. We recognise that candidates may use artificial intelligence (AI) tools to support the preparation of CVs and covering letters. However, our selection process has been designed to assess candidates through structured and validated stages that test their skills, judgement and motivation directly. This includes assessment methods that help verify the authenticity of the applicant's evidence, with the final stage taking place at an in-person assessment centre. Our revised approach will strengthen our ability to attract a broader range of candidates and remove unnecessary barriers for applicants, while preserving the integrity and fairness of the selection process.

6.9 We are an authorised training provider for the Institute of Chartered Accountants in England and Wales (ICAEW) professional training scheme. In 2025-26, our trainee examination success rates continued to be higher than the national average (**Figure 20**), and our Level 4 Apprentices end-point assessment pass rate was 91%.

Figure 20

Trainee examination success rates, 2025-26 and prior year

The percentage of trainees passing their examinations with the ICAEW remains high

Description	Target %	Current year 2025-26	Prior year 2024-25	Change between 2024-25 and 2025-26
Percentage of trainees passing their professional stage examination with the Institute of Chartered Accountants in England and Wales (ICAEW) at the first attempt	ICAEW average 85% (2024-25: 84%)	87%	89%	Decrease of 2 percentage points
Percentage of trainees passing the advanced stage examination with the ICAEW at the first attempt	ICAEW average 87% (2024-25: 86%)	92%	88%	Increase of 4 percentage points

Source: National Audit Office

Experienced hires and employer brand

6.10 We have taken proactive steps to attract experienced professionals by improving how we promote our offer, aligned to pay, benefits, flexible working, purpose, and career development. For example, we created a dedicated LinkedIn Life page showcasing life at the NAO, with real career stories and insights into the range of roles available across audit, digital and specialist fields.

6.11 Employer branding is increasingly important. Building on existing initiatives, we are bringing together our employment offer more consistently and using role models and storytelling to highlight our values and culture. As part of the first year of our Diversity and Inclusion Strategy (paragraphs 6.35 to 6.37), we will place greater emphasis on inclusive representation in our recruitment materials.

Developing our talent

6.12 Developing the capability of our people and creating an environment where they can thrive and deploy their strengths and talents is central to delivering consistently high-quality work. Our learning and development (L&D) strategy sets out a clear and ambitious plan to build the technical, digital, professional and leadership skills required for the NAO to deliver high-quality, insightful audit work now and in the future. It reflects the NAO's strategic priorities and the increasing expectations of our stakeholders, while responding to changes in technology, skills requirements and the public sector audit landscape.

6.13 We recognise learning is integral to sustaining high performance and nurturing an engaged and motivated workforce and have continued to invest in building capacity and innovating our offering. In 2025-26, we enhanced our technical audit curriculum, expanded our leadership development offer, and invested in expanding a feedback culture which, in turn, supports a stronger performance management approach (see **Figure 21**). We also expanded the depth and breadth of expertise within the NAO's L&D team to ensure we have capacity to deliver increased demands around our technical curriculum, alongside a wider range of development opportunities.

Menu

Figure 21

Developing our people: key achievements and highlights

We continue to support our people and have seen our people engagement scores improve

Our key achievements:

New Director Expectations framework and 360-degree feedback launched

Enhanced Financial Audit curriculum and milestone programmes, supporting progression into more senior audit roles

Engagement scores reached the National Audit Office (NAO) target, with additional improvements in scores for growth and learning culture

Other achievements and highlights:

We welcomed **52** graduates and **12** apprentices to the NAO

Our graduate development programme Audit Pathways was **accredited by ICAEW**

86% of the directors engaged in our Leading High Performing Teams programme

42 trainee auditors were promoted to Senior Auditor within the period

Our ICAEW exam pass rates exceed the ICAEW average, with **87%** at Professional stage and **92%** at Advanced stage (first attempt)

We continue to support our **people development** through a balanced approach, building self-awareness and engaging with enablers and experiences

We launched a refreshed approach to mandatory VFM learning, aligned to quality priorities and strategy

NOTE

1 'ICAEW' refers to the Institute of Chartered Accountants in England and Wales.

Source: National Audit Office

Building strong business and leadership capability

6.14 Over the past year, we took significant steps to strengthen leadership capability across the NAO, with particular focus on clarity of expectations, developing people management skills and providing consistent support for leaders at all stages of their careers.

- In July 2025, we released a new Director Leadership Expectations competency framework, providing clear and consistent expectations for leadership at director level. The framework sets out what effective leadership looks like within the NAO context and underpins how we develop, assess and support directors to lead with impact.

- To support reflection and development against these expectations, we rolled out a 360-degree feedback survey for directors, enabling them to gather structured feedback from colleagues. This has provided directors with richer insight into their leadership impact and informed targeted development discussions and actions.

- Building on this foundation, we delivered a Leading High Performing Teams programme for all directors across autumn 2025. The programme focused on practical leadership behaviours and supporting directors to lead teams to high-quality and timely delivery through inclusive and relational leadership.

6.15 We developed leadership capability more broadly by launching the Leading Others programme. This suite of learning pathways supports career development for leaders at different stages and strengthens core people management skills in feedback, coaching, delegation, performance conversations, and leading teams. The programme provides a coherent and structured approach to develop inclusive, high-performing leaders across the NAO.

Developing technical skills for financial audit colleagues

6.16 Our core financial audit curriculum forms the backbone of our technical auditing capability. It is structured to build progressively from trainee to senior leadership roles, to ensure clarity of expectations and alignment with the NAO's quality standards. In 2025-26, we refreshed our technical offer to provide focused, consistent and professionally rigorous learning experiences for auditors at every grade. This curriculum offers broader, more regular technical training that aligns with evolving expectations from our regulators and supports the NAO's strategic priority to build a skilled, high-performing workforce.

6.17 Enhancements to our technical offer during 2025-26 included the following.

- **Refreshed Autumn and Spring Accelerator courses** offering targeted, audit cycle-aligned technical training across audit methodology, data and digital skills, specialist topics and wider auditor capabilities. In 2025-26, the Autumn Accelerator covered team culture, professional scepticism and ethical behaviour. The Spring Accelerator focused on emerging quality findings as well as specialist topics, such as pensions, charities and property valuations.

- **Regular e-learning updates** focused on changes to financial reporting, methodology and topical issues, to provide timely reinforcement of key concepts and support consistent application of audit approaches across teams.

- **Milestone programmes for new audit leads and audit managers**, designed to provide structured support for colleagues as they step into more senior responsibilities. The programmes blend technical, leadership- and delivery-focused content to enable colleagues to take on greater responsibility, and lead and manage high-quality audit work effectively.

6.18 To ensure our technical offer remains appropriately focused on key priorities, informed by insights from practice, and aligned with wider initiatives, we seek input from internal teams, including Financial Audit Practice and Quality, Compliance and Assurance, Operations, Centres of Expertise, audit quality directors, and other relevant stakeholders.

6.19 Our strengthened governance arrangements, led by a new Financial Audit Learning Steering Committee established during 2025-26, provide robust oversight to ensure appropriate focus and prioritisation of learning in response to quality findings, service-line feedback and regulatory expectations. We have tightened our processes to monitor and report on mandatory training, drawing on the oversight of audit quality directors to ensure compliance and reinforce our focus on audit quality.

Developing our graduates and apprentices

6.20 We offer our graduates and apprentices a comprehensive development programme, called Audit Pathways, that supports them through the early stages of their careers. This programme complements their Associate Chartered Accountant (ACA) qualification studies and integrates technical audit skills within the context of our organisation, as well as complementary business skills required to manage teams, projects and clients. It combines structured learning, including hands-on practical sessions, with on-the-job experience. Audit Pathways ensures our most junior colleagues are well integrated into the workplace, helping them develop knowledge and skills from their first day until they qualify and become confident audit leads. Our new Audit Lead Programme means they can continue their Audit Pathways journey once qualified and feel supported as they progress their career.

6.21 In 2025, the ICAEW certified the Audit Pathways programme, deeming it a high enough standard to substitute for 30 hours of additional online learning now required for all ICAEW students.

Developing technical skills for value-for-money (VFM) colleagues

6.22 Colleagues working on VFM and insights reports come from diverse professional backgrounds, including finance, audit, economics, statistics and social research. At the NAO, they can use and further develop specialist skills by working with our insight teams, known as Knowledge Hubs. There are seven hubs covering analytics (including modelling, surveys or statistics) and qualitative analysis, digital, commercial, environment and climate change, financial and risk management, major projects, and people and operational management.

6.23 We encourage VFM colleagues to develop bespoke skills and knowledge alongside their core competencies by joining at least one of our specialist communities via our Hub Pathways programme. Through individual hub membership, colleagues map out learning and role-based activities that develop specialist skills, from beginner up to advanced and expert level, in areas that support our insights and VFM work. To complement the pathways, each hub offers a range of learning opportunities, from internally and externally hosted seminars and workshops, to accredited training courses. The hubs also encourage collaborative working and sharing of knowledge between financial and VFM auditors.

6.24 We draw on findings from our quality inspections regime and other insights across the service line to design, develop and deliver regular VFM training activities.

- **VFM Together events:** Each year, we host three VFM Together events for the service line to share updates on our quality processes and standards. Alongside these events, we run targeted bite-sized training for deeper discussions on related topics.
- **Monthly VFM showcases:** These sessions allow VFM colleagues to share their experiences and exemplary practices. The focus is on peer-to-peer learning, providing study teams with opportunities to examine specific topics such as risk management or effective engagement with audited bodies, and to learn from the challenges and successes encountered by others.
- **A core curriculum of in-person and online training:** Our core curriculum helps colleagues develop the skills needed for VFM work. It covers areas such as scoping and planning, synthesizing evidence and making judgements, using quantitative and qualitative methods, managing projects, and collaborating with audited bodies and other stakeholders.

Developing digital and data capabilities

6.25 Over the past year, we enhanced colleagues' digital and data capability by providing training on the implementation of core digital tools, for example by embedding our DataSnipper application into financial audit work through practical workshops. This work underpins our strategic priority to strengthen digital and data capability and improve the effective use of technology across the organisation.

6.26 We also launched our Digital Influencers programme, identifying around 20 auditors who will receive additional training in digital awareness, IT audit and data. This blended learning development pathway will enable them to identify opportunities to leverage more digital approaches, supporting higher-quality and more efficient audits.

Adopting AI

6.27 During 2025-26, we focused on building the skills, confidence and governance needed to support the responsible adoption of AI across the NAO. Through pilot activity, practical guidance and targeted learning, we helped colleagues explore how tools, such as Microsoft 365 Copilot (Copilot), could support high-quality delivery while maintaining appropriate professional judgement and oversight.

6.28 As we move to the NAO-wide rollout of Copilot during 2026-27, we are implementing a structured L&D programme to help colleagues use AI safely, effectively and responsibly. The programme combines mandatory foundation learning with role-specific development, practical experimentation, peer learning, and support from a champions network. It focuses not only on how to use AI tools, but also on developing the skills needed to identify appropriate use cases, apply effective prompting techniques and critically assess AI-generated outputs.

6.29 This has included the following initiatives:

- **Financial audit:** Around 150 financial audit colleagues tested ways to use Copilot to improve the efficiency of audit administration and identify opportunities to support audit delivery. Quality remains the key focus, and we have made clear that Copilot cannot be relied upon for audit evidence, with professional judgement always applied to its outputs. Building on this experience, all financial auditors will undertake training on the effective and responsible use of AI in audit work, including how to audit AI-generated outputs prepared by audited bodies.

- **Value-for-money:** VFM teams have tested the use of Copilot across a range of activities, including scoping studies, analysing large volumes of information, and supporting report drafting. Learning from these pilots is informing guidance, prompt libraries and practical learning activities to help teams use AI in ways that enhance quality, consistency and efficiency.

- **Corporate services:** Corporate teams have focused on building readiness for the wider rollout of Copilot through user engagement, testing and the development of practical guidance. This work has helped identify opportunities to improve the quality and consistency of outputs, while informing future learning and support requirements across the organisation.

6.30 As AI adoption increases across the organisation, we will continue to invest in the skills and capabilities needed to support its safe and effective use.

People development

6.31 We continue to support people development across the NAO through a balanced approach that builds self awareness, capability and experience. We encourage personal awareness through clear expectations, goal-setting, career conversations, and feedback. This helps individuals reflect on their strengths, development needs and career aspirations.

6.32 We enable development through strong relationships, including access to mentoring, coaching and peer networking and learning, which provide insight, challenge and support. We also emphasise learning through real-world experience, offering opportunities such as stretch assignments and projects, on-the-job coaching and secondments. This allows colleagues to build skills, confidence and impact through practical application.

Continuing professional development

6.33 We have a formal continuing professional development (CPD) policy in place with which all our staff must comply. All colleagues are required to complete at least 40 hours of CPD each calendar year (of which 30 hours must be verifiable) and comply with our mandatory training programme. While most colleagues met these requirements, we took additional steps during the year to remind others of what they needed to do. As a result, our compliance levels increased to within our tolerance levels (see Appendix Three, Figure 35 for further details).

Being an exemplary employer

6.34 We are committed to ensuring the NAO is a great place to work for all our people. We offer stimulating work in areas of public interest, modern office spaces and IT, a competitive remuneration package, and clear opportunities to develop skills and progress careers alongside knowledgeable and engaged colleagues.

Promoting diversity and inclusion

6.35 In February 2026, we launched our new Diversity and Inclusion Strategy for 2026 to 2030. The strategy focuses on improving diversity at senior levels, strengthening inclusive behaviours across the organisation, and making more effective use of diversity and inclusion data and insights.

6.36 We continue to refine recruitment activity to ensure we attract a diverse pool of talented candidates. We monitor progress through established governance, drawing on insights from recruitment campaigns, outreach, and colleague feedback to identify where further action is needed. We have made significant progress in early career recruitment but recognise more can be done to support progression into senior roles and sustain diverse talent pipelines.

6.37 Over the coming year, we will further strengthen our regional presence and invest in employer branding that reflects the NAO and the work we do. This includes embedding our new trainee assessment process, deepening university partnerships in the North East, and raising focussed awareness of key roles when they are advertised.

Promoting wellbeing

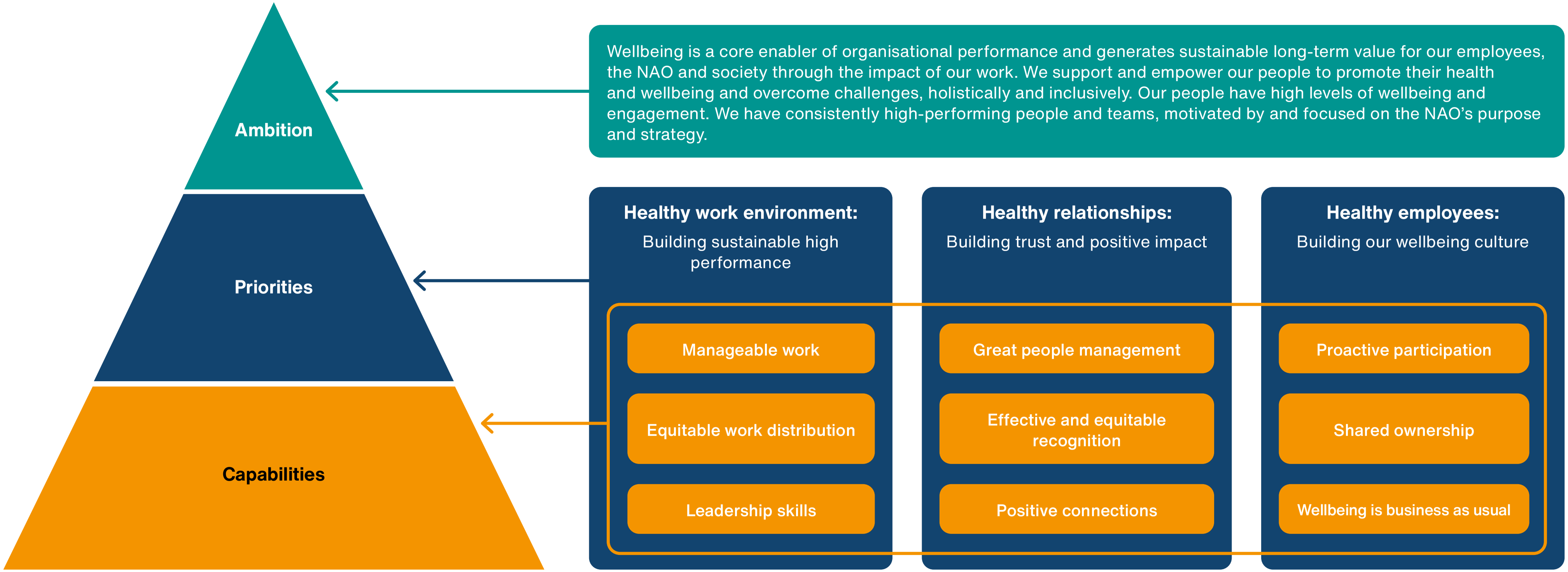
6.38 We are committed to empowering all our people to look after their health and wellbeing, overcome challenges and thrive both inside and outside work. The wellbeing of our people is crucial for achieving our ambitions.

6.39 Since the launch of our People Deal in May 2025, we have strengthened how we attract and retain people, focused on creating an environment for colleagues to thrive and deliver impact. A key priority during 2025-26 was putting the People Deal into practice and enhancing support for colleagues' wellbeing, inclusion and development. In December 2025, we launched our first Wellbeing Strategy (see **Figure 22**), reflecting our commitment to ensure our people look after their health and wellbeing so that they have a rewarding experience working at the NAO. The strategy is structured around three priorities: creating a healthy work environment, fostering healthy relationships, and supporting healthy employees.

Figure 22

National Audit Office (NAO) Wellbeing Strategy

Our ambition for wellbeing is underpinned by three priorities and nine capabilities



Source: National Audit Office

6.40 Alongside this, we were encouraged to see a reduction in sickness absence over the year, from an average of 7.0 working days in 2024-25 to 5.9 in 2025-26, indicating early progress in building greater resilience across the organisation.

6.41 We saw a decrease of staff turnover for most grades below senior management in 2025-26 compared to the previous year, except for senior analyst and analyst grades. Nevertheless, turnover remains below the target levels for all grades.

Acting on feedback from our people

6.42 We act on the feedback our people give us, to further improve their experiences and understand what would make our working environment even better. We seek feedback through regular surveys of colleagues using Workday Peakon Employee Voice. During 2025-26, we delivered three surveys using a bank of 47 questions across 14 drivers, which included the opportunity to provide written feedback. In 2025, we improved communication of the survey results, providing transparency over the scores and main themes raised via comments.

6.43 These surveys allow us to assess overall levels of engagement to understand how to motivate and support our people and measure the effectiveness of our interventions. The latest surveys showed an improvement in our overall people's engagement score to 7.5 (out of a possible 10) in January 2026, compared with 7.2 in January 2025, and 6.8 in January 2024. Our target level for engagement is 7.5 (see Appendix Three, Figure 29 for further details).

Our future focus

6.44 Over the coming years, we will continue to strengthen development opportunities across all career stages, with particular focus on leadership and business capability. This includes expanding the Leading High Performing Teams programme to senior managers and corporate band 1 colleagues, and introducing a Leading Self programme focused on personal skills that underpin effective leadership. Together with the extension of our leadership expectations framework across all grades, these initiatives will support greater clarity, consistency and capability in leadership practice across the organisation.

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Appendices

Appendix One

Value for money standards and quality approach

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

We ask all teams carrying out VFM work to complete and maintain a quality and risk plan to help us manage organisational and quality risks at each stage of our work. Audit teams actively manage and mitigate these risks and seek further guidance from the Comptroller and Auditor General (C&AG) at key approval stages as and when required. These risks are designed to ensure we are delivering high-quality work to our VFM standards (**Figure 23**). We provide further details of our approach in Part Three of this report.

Figure 23

Value-for-money risk management approach, 2025

Our approach manages risks at each stage of our work

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

Source: National Audit Office

Internal cold reviews

We consider adherence to our standards and quality approach as part of our internal quality reviews. The reviews assess how the study team managed strategic and technical risks and the overall quality of the final report. Reports are rated using a four-point scale (**Figure 24**).

Figure 24

Internal cold review criteria

Reviews are rated on a four-point scale

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

Note

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

Source: National Audit Office

Appendix Two

External quality control review framework

Financial audit

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

This means the full population of our financial audit work falls within the AQR's remit, apart from those audits we contract out to our framework partners. This differs from the approach the AQR takes with the main audit firms, where it focuses on the most significant audits undertaken. The AQR also does not review the work supporting the C&AG's regularity audit opinion.

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

During 2025-26, the AQR reviewed a sample of seven of our 2024-25 audits, five of which we undertook under the Companies Act and two from the rest of our audit portfolio. Part Four of this report (paragraphs 4.12 to 4.17) sets out the AQR's findings from its review of these audits. The AQR also reviewed the progress we made during 2025 to improve our system of quality management (paragraph 3.28).

The AQR does not select audits for inspection on a statistical basis, so changes from one year to the next cannot, on their own, be relied upon to provide a complete picture of the NAO's performance and are not necessarily indicative of any overall change in audit quality.

The AQR's key findings and conclusions from its 2025-26 inspection, together with agreed actions for the NAO to take forward, are set out in their annual report to the C&AG. This is published on our external website, alongside this Transparency Report.

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

For more than two decades, we have used external specialists to review our VFM and wider assurance reports. In 2025, a sample of 20 reports were reviewed by independent experts from Grant Thornton, RAND Europe and Risk Solutions.

Our external reviewers assess how each report performs against review criteria, leading to an overall assessment. Reports are given a rating from a four-point scale ranging from 'good/best practice' to 'significant areas for improvement' (**Figure 25**).

Figure 25

External review criteria

Reviews are rated on a four-point scale

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

Source: National Audit Office

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Appendix Three

Audit Quality Indicators 2025-26

Our audit quality ratings

Our quality ratings for both value-for-money (VFM) work and financial audit work, for 2025-26 and the prior year, are shown in **Figure 26**. We have provided detailed commentary on these ratings in Parts Four and Five.

Figure 26

Quality ratings based on reviewing samples of our work, 2024-25 to 2025-26

External quality reviews across both financial audit and value-for-money met or exceeded target standards in the current year

	Target (where applicable)	Current year (2025-26)	Prior year (2024-25)	Change between 2024-25 and 2025-26
Financial audit[1]				
External quality reviews – percentage of quality reviews which are rated 'limited improvements' or 'good'	70% (5/7)	86% (6/7)	100% (7/7)	Decrease of one audit (equating to 14 percentage points)
Number of external quality reviews in year	n/a	7	7	No change
Internal quality reviews – percentage of quality reviews which are rated 'limited improvements' or 'good'	70%	68%	71%	Decrease of 3 percentage points
Internal quality reviews – percentage of quality reviews which are rated 'limited improvements' or 'good' adopting the same basis as that of the external reviews	70%	76%	71%	Increase of 5 percentage points
Number of internal quality reviews in year	n/a	25	24	Increase of one
Value-for-money[1]				
	Target (where applicable)	**Current year (2025-26)**	**Prior year (2024-25)**	**Change between 2024-25 and 2025-26**
External quality reviews – percentage of quality reviews meeting quality standards	70%	95%	95%	No change
Number of external quality reviews in year	n/a	20	20	No change
Internal quality reviews – percentage of quality reviews meeting quality standards	70%	83%	83%	No change
Number of internal quality reviews in year	n/a	12	12	No change

Notes

1 Our aspiration is that all our audits meet our quality standards every time. Our target is that at least 70% of audits or reports achieve this.

2 For financial audits, current year is based on a sample of 2024-25 financial audits and prior year is based on a sample of 2023-24 financial audits.

3 For value-for-money reports, current year is based on a sample of reports published in the 2025 calendar year, and prior year is based on a sample of reports published in the 2024 calendar year.

4 A report meets quality standards if it receives a review rating of either 'Good/best practice' or 'Good with limited improvements needed'.

Source: National Audit Office analysis of quality data

Feedback from our external stakeholders

From those we audit

We ask for feedback every year from the bodies we audit. In 2025-26, this included:

- **Strategic Feedback Research 2025** programme, comprising on online survey generating 197 responses (representing a response rate of 29.4%) from organisations whose 2024-25 financial statements were audited by, or on behalf of, the National Audit Office (NAO), and follow-up interviews with 36 representatives across 18 audited bodies between November and December 2025; and

- **Financial Audit Feedback Survey 2025**, an online survey generating 165 responses (representing a response rate of 31.4%) from 121 organisations whose 2024-25 financial statements were audited by, or on behalf of, the NAO.

Most participants (95%) in the Strategic Feedback Research programme rated their overall relationship with the NAO as good, and 93% agreed that NAO staff showed high standards of professionalism. Other findings from our 2025-26 external feedback are set out in **Figure 27**.

Figure 27

Feedback from those we audit, 2025-26

Our value-for-money and financial audit work is regarded positively by our audited bodies

Description	2025-26
	(%)
Survey results: financial audit	
Percentage who rated the quality of the National Audit Office's (NAO's) financial audit work as good	91
Percentage who agreed NAO management letter recommendations were achievable	78
Percentage who agreed NAO's delivery of financial audit was effective	82
Survey results: value-for-money (VFM) and wider assurance	
Percentage who rated the quality of NAO's VFM work as good	72
Percentage who agreed the NAO's VFM recommendations are relevant	62
Percentage who agreed the NAO's VFM studies focus on the right issues	59

Notes

1 Survey results for VFM work relate to questions asked to representatives of organisations that had specifically been the subject of a published or in-progress VFM study in the 12 months to December 2025.

2 We changed our approach to gathering external feedback in 2025-26, which means there are no comparable results from previous years.

Source: National Audit Office external feedback research

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From Members of Parliament (MPs)

MPs continue to recognise the benefits we provide, with the vast majority (72%) of those who have at least heard of the NAO saying that we are above average for the quality of our products or services (80% in 2024-25), and 71% agreeing that we are above average for our role in influencing beneficial change (74% in 2024-25) (**Figure 28**). 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).

Figure 28

Survey of Members of Parliament (MPs) on the quality of our insights and reports, 2024-25 to 2025-26

MPs continue to recognise that the National Audit Office (NAO) is effective at holding the government to account.

Description	Current year 2025-26	Prior year 2024-25	Change between 2024-25 and 2025-26
	Strongly agree/ Tend to agree (%)	Strongly agree/ Tend to agree (%)	Percentage change (%)
NAO products and services are of high quality	72	80	Decrease of 8
The NAO influences beneficial change	71	74	Decrease of 3
The NAO is effective at supporting Parliament to hold government to account and scrutinise public services	86	87	Decrease of 1
NAO insights and reports cover areas and issues I am interested in	71	72	Decrease of 1
NAO insights and reports are clear, easy to read and understand	67	69	Decrease of 2
NAO insights and reports are easy to find and access when I need them	67	63	Decrease of 4

Notes

1 Current year and prior year report combined percentages of respondents that 'strongly agree' and 'tend to agree'.

2 Research conducted between 17 November 2025 and 20 January 2026.

3 There were 103 MPs who participated in research on the National Audit Office, representative of the House composition by political party.

Source: National Audit Office

Three-quarters (71%) of MPs responding to the survey think that our reports and insights cover areas and issues they are interested in (72% in 2024-25), seven in 10 (67%) say that they are clear, easy to read and understand (69% in 2024-25), and over two-thirds (67%) think that they are easy to access when they need them (63% in 2024-25).

MPs are making good use of our work, with 41% of those who have at least heard of the NAO saying that they look to us for information or support at least once a month. We know how much MPs value regular face-to-face contact, and offering this support will be a priority as part of our new strategy, which aims to restore our performance metrics to at least the levels recorded in the 2019–2024 Parliament.

Feedback from NAO colleagues

Our People Survey allows us to measure levels the engagement of our staff and the effectiveness of our interventions, in turn helping us understand how to best motivate and support our staff. Our latest People Survey during the year shows a general increase across most measures compared with last year (**Figure 29**). Notably, our overall people engagement score improved to 7.5 (out of a possible 10) in 2025-26, up from 7.2 in 2024-25

Figure 29

National Audit Office People Survey results, 2024-25 to 2025-26

Our scores improved in 11 out of 14 areas this year and were lowest for workload and reward

Description	Current year 2025-26	Change between years
Overall engagement	7.5	0.3 improvement
Peer relationships	8.2	0.4 improvement
Management support	7.8	No change
Environment	7.8	0.4 improvement
Freedom of opinions	7.5	0.1 improvement
Autonomy	7.4	No change
Meaningful work	7.4	0.3 improvement
Strategy	7.4	0.3 improvement
Goal setting	7.4	No change
Accomplishment	7.3	0.1 improvement
Recognition	7.2	0.2 improvement
Growth	6.9	0.1 improvement
Workload	6.7	0.2 improvement
Reward	6.6	0.4 improvement

Notes

1 The National Audit Office People Survey is a questionnaire 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 The survey consists of 47 questions, with respondents given the chance to provide other written feedback. The results are summarised under 14 drivers.

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 Scores are out of 10 and rounded to one decimal place.

Source: National Audit Office analysis of People Survey results

Our people

Involvement of our directors in our audit work

Our directors supervise and review the quality of all our audit work in their roles as engagement directors and responsible individuals (for our Companies Act audit work). Their involvement with in-house financial audits, and our senior management-to-staff ratio indicators, are shown in **Figure 30**. The data show the current level of senior involvement is similar to the prior year.

Figure 30

Senior management involvement in in-house audits, 2024-25 to 2025-26

There has been an increase in the ratio of staff to senior management in 2025-26

Description	Current year 2025-26	Prior year 2024-25	Change between 2024-25 and 2025-26
Senior management hours spent on financial audit as a proportion of total staff hours spent on in-house financial audits[1]	4.6% (2024-25 audit cycle)	5.6% (2023-24 audit cycle)	Decrease of 1 percentage point
Ratio of staff to senior management[2]			
Total	13:1	12:1	Increase of 1
Financial audit	17:1	15:1	Increase of 2
Value-for-money and wider assurance	8:1	7:1	Increase of 1

Notes

1 'Senior management' includes all directors and executive directors involved in financial audit. Total staff hours spent on in-house financial audits also includes senior management hours. For the purposes of this calculation, it also includes colleagues in the audit manager grade who are acting as the engagement director of a specific financial audit.

2 We have excluded senior management involvement in our contracted-out financial audits from the figures above.

Source: National Audit Office

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Staff workload

Staff workload data for both the full year and for our financial audit peak period (May to July) is shown in **Figure 31**. We monitor staff workload monthly to ensure that individuals' wellbeing is considered, particularly during our busy periods. Staff workloads were within expectations for 2024-25 and 2025-26.

Figure 31

Staff workload, 2024-25 and 2025-26

Hours worked by staff are comparable to those of the prior year, with financial auditors working more hours during our peak period

Description	Current year 2025-26	Prior year 2024-25	Change between 2024-25 and 2025-26
	(%)	(%)	Percentage points change
Hours worked as a percentage of contracted hours across the full year			
Financial audit			
Trainee	103.3	103.3	No change
Senior auditor/senior audit associate	105.0	105.1	Decrease of 0.1
Audit manager	108.1	108.1	No change
Senior audit manager	108.6	108.6	No change
Senior management	112.0	112.3	Decrease of 0.3
Value-for-money and wider assurance			
Analyst	100.9	101.0	Decrease of 0.1
Senior auditor/senior analyst	101.7	101.7	No change
Senior audit manager	100.7	102.2	Decrease of 1.5
Senior management	105.2	104.6	Increase of 0.6
Hours worked as a percentage of contracted hours during our financial audit peak period (May to July 2025, and May to July 2024)			
Financial audit			
Trainee	106.3	105.8	Increase of 0.5
Senior auditor/senior audit associate	110.3	109.8	Increase of 0.5
Audit manager	116.4	117.1	Decrease of 0.7
Senior audit manager	117.5	117.6	Decrease of 0.1
Senior management	120.0	123.3	Decrease of 3.3

Notes

1 The 'senior management' category includes directors and executive directors.

2 The National Audit Office's key financial audit peak period falls between May to July each year as we deliver a significant percentage of our audit work before Parliament's summer recess. Our value-for-money and wider assurance work does not have a set peak period as we publish our reports throughout the year.

Source: National Audit Office

Staff turnover

Turnover rates for our people were below target levels for all grades in 2025-26 (**Figure 32**).

Figure 32

Staff turnover by grade, 2024-25 to 2025-26

Turnover was below the target level for all grades

Description	Target turnover	Current year 2025-26	Prior year 2024-25	Change between 2024-25 and 2025-26
	(%)	(%)	(%)	(%)
Senior management	10	3	5	Decrease of 2
Senior audit manager	7	2	4	Decrease of 2
Audit manager	7	1	5	Decrease of 4
Senior auditor and senior audit associate	20	7	12	Decrease of 5
Senior analyst	12	6	4	Increase of 2
Analyst	16	15	8	Increase of 7
Trainee	10	6	8	Decrease of 2

Notes

1 Rates rounded to the nearest whole percent. Turnover is where staff leave the National Audit Office.

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

The diversity of our staff

Figure 33 presents the diversity of our staff and shows improvement in some categories over the last year. Further information on diversity is in paragraphs 6.35 to 6.37 of this report.

Figure 33

Grade by diversity, 2024-25 to 2025-26

There have been improvements in some categories compared with the prior year

	Target for all National Audit Office (NAO)	2025-26	2024-25	Change between 2024-25 and 2025-26
	(%)	(%)	(%)	
Women				
Senior management	-	51	49	2% increase
Middle management	-	52	52	No change
Other grades	-	49	49	No change
All NAO	50	50	50	No change
Ethnic minority				
Senior management	-	14	12	2% increase
Middle management	-	18	18	No change
Other grades	-	35	33	2% increase
All NAO	35	31	30	1% increase
Disabled				
Senior management	-	16	13	3% increase
Middle management	-	14	13	1% increase
Other grades	-	15	16	1% decrease
All NAO	14	15	15	No change
Lower socio-economic background (parental occupation)				
Senior management		19	23	4% decrease
Middle management		29	27	2% increase
Other grades		26	26	No change
All NAO	No target	26	26	No change

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

Developing our people

Our mandatory training

Our indicators capture metrics related to undertaking mandatory training, including number of courses, time to complete training, and rates of completion (**Figure 34**). Completion rates improved during 2025 compared with the previous year, with both financial audit and value-for-money staff achieving close to the 100% target.

Figure 34

Mandatory training, 2024 to 2025

Compliance rates were high for both financial audit and value-for-money and wider assurance training courses

Description	Target (where applicable)	Current year 2025	Prior year 2024
Number of mandatory training courses			
Financial audit	n/a	23	26
Value-for-money and wider assurance	n/a	9	10
Approximate time needed to complete annual mandatory training requirement (hours)			
Financial audit	n/a	34.8	26.3
Value-for-money and wider assurance	n/a	5.3	9.3
Mandatory training compliance rate (%)			
Financial audit	100%	99%	92%
Value-for-money and wider assurance	100%	99%	98%

Source: National Audit Office

Continuing professional development (CPD)

As well as our mandatory training, individuals undertake other training and development opportunities according to their specific needs. Taking all this development together, all staff are required to complete at least 40 hours each year, with 30 hours of this being verifiable evidence (**Figure 35**). Colleagues met this objective during 2024 and 2025.

Figure 35

Average continuing professional development (CPD) hours per person, 2024 to 2025

Our audit staff are averaging more than 40 hours of CPD during the year

	Target	Current year 2025 (hours)	Prior year 2024 (hours)	Change between 2024 and 2025
Financial audit				
Senior auditor/ senior audit associate	40 hours of CPD with 30 hours of verifiable evidence	50.2	72.9	Decrease of 22.7 hours
Audit manager		47.7	52.0	Decrease of 4.3 hours
Senior audit manager		52.6	52.7	Decrease of 0.1 hours
Director		60.1	54.9	Increase of 5.2 hours
Value-for-money				
Analyst	40 hours of CPD with 30 hours of verifiable evidence	44.7	61.8	Decrease of 17.1 hours
Senior auditor/ senior analyst		51.1	49.1	Increase of 2.0 hours
Senior audit manager		51.8	57.2	Decrease of 5.4 hours
Director		70.9	69.4	Increase of 1.5 hours

Note

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

Source: National Audit Office

Appendix Four

National Audit Office financial information

Our full financial information is contained in our Annual Report and Accounts 2025-26, which can be found on our website. **Figure 36** sets out our expenditure and income under our six operating segments.

Figure 36

National Audit Office operating segments

Spending on financial audit makes up 74% of our total gross costs

	Financial audit (£000)	Value-for-money reporting (£000)	Insights (£000)	Support to Parliament (£000)	International relations (£000)	Comptroller function (£000)	Voted (£000)	Non-voted (£000)	Total (£000)
2025-26									
Gross expenditure	109,315	20,928	7,987	7,117	1,539	190	**147,076**	324	**147,400**
Contract income	(33,389)	-	-	-	(296)	-	**(33,685)**	-	**(33,685)**
Other income	(2,293)	(432)	(174)	(149)	(32)	(4)	**(3,085)**	-	**(3,085)**
Net expenditure	**73,632**	**20,489**	**7,819**	**6,968**	**1,211**	**186**	**110,306**	**324**	**110,630**
2024-25									
Gross expenditure	96,844	20,706	7,081	5,621	1,883	164	**132,299**	315	**132,614**
Contract income	(29,238)	-	-	-	(438)	-	**(29,676)**	-	**(29,676)**
Other income	(1,762)	(377)	(129)	(102)	(34)	(3)	**(2,407)**	-	**(2,407)**
Net expenditure	**65,844**	**20,329**	**6,952**	**5,519**	**1,411**	**161**	**100,216**	**315**	**100,531**

Notes

1 Voted expenditure and income is allocated to the National Audit Office (NAO) by a Parliamentary vote each year through the Supply and Appropriation Act. The NAO reports the use of this expenditure and income under its main operating segments, about which further information can be found in the Performance report in our Annual Report and Accounts 2025-26.

2 Non-voted expenditure comprises the Comptroller and Auditor General's and Chair's salaries and is paid directly from the Consolidated Fund. This is outside of the control of the NAO and is not subject to the same annual Parliamentary approval process.

3 Contract income includes fees charged on UK and international audits, costs recovered on the NAO's outward secondment programme to support Parliament and other government bodies, and fees charged for some of the NAO's international relations work. Other income cannot be directly attributed to the NAO's operating segments and has been apportioned between them in line with gross expenditure. In accordance with the government Financial Reporting Manual, 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.

4 The chief operating decision body of the NAO is considered to be the Executive Team, and details of its membership can be found on pages 64 to 67 of the NAO's Annual Report and Accounts 2025-26. 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.

Source: National Audit Office

As would be expected from the nature of our work, the largest segment of expenditure relates to financial audit, which represents 74% of the National Audit Office's (NAO's) gross expenditure. The remainder relates to other assurance work. The Comptroller and Auditor General's Exchequer function is reported as a separate segment.

Appendix Five

Transparency report disclosure requirements

Figure 37 sets out National Audit Office compliance with disclosures required by Article 13 of Regulation (EU) 537/2014, to produce an annual transparency report.

Figure 37

National Audit Office (NAO) compliance with the disclosures required by Article 13 of Regulation (EU) 537/2014

Provision of Regulation (EU) 537/2014	How the NAO complies
A description of the legal structure and ownership of the statutory auditor, if it is a firm.	The Comptroller and Auditor General (C&AG), Gareth Davies, leads the NAO and is an Officer of the House of Commons, as established by statute. He and the staff of the NAO (approximately 1,100 staff) are independent of the UK government. They are not civil servants and do not report to a minister.
Where the statutory auditor is a member of a network: 1. a description of the network and the legal and structural arrangements in the network; 2. the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in a European Economic Area (EEA) State or in Gibraltar; 3. for each of the members of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or a principal place of business; 4. the total turnover of the members of the network identified under paragraph (ii) resulting from statutory audit work or equivalent work in the EEA States or Gibraltar.	N/A. The NAO is a Supreme Audit Institution and not part of a network.
A description of the governance structure of the statutory auditor, if it is a firm.	The NAO's governance structure is set out in Part Two.
A description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning.	Part Three sets out a description of the NAO's system of quality management. We set out the effectiveness of our system of quality management in Part Three.
An indication of when the last quality assurance review referred to in Article 26 of Regulation (EU) 537/2014 was carried out.	Such reviews are carried out annually. See Parts Four and Five and Appendix One and Two for details of the latest review.
A list of public interest entities for which the statutory auditor carried out statutory audits during the preceding financial year.	In 2025-26, the NAO audited four public interest entities: • Network Rail Infrastructure Finance PLC; • CTRL Section 1 Finance PLC; • LCR Finance PLC; and • HM Treasury UK Sovereign SUKUK PLC.
A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted.	See Part Three for details of our independence procedures. Consideration of our independence practices is completed throughout the year.
A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006.	The NAO's policies and practices are designed to ensure that our staff continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level. See Part Six for further detail of these policies and practices.

Menu

Figure 37 *continued*

National Audit Office (NAO) compliance with the disclosures required by Article 13 of Regulation (EU) 537/2014

Provision of Regulation (EU) 537/2014	How the NAO complies
Information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm.	For details of remuneration, see our Annual Report and Accounts.[1]
A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) of Regulation (EU) 537/2014.	Engagement Directors are rotated at least every five years, subject to some approved exceptions, although for no longer than seven years. Also, we ensure that other team members are not involved in an engagement for more than seven years.
Where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:	Most audits the NAO undertakes are funded by Parliament. In these cases, the organisations we audit must reflect the notional cost of our audit work as operating costs within their financial statements, although no cash payment is made to us. The NAO also reports on the collection of revenues raised on behalf of the government by the BBC and HM Revenue & Customs, including on the administration of Scottish and Welsh income tax. The cost of this work is also financed through our Parliamentary funding. The NAO charges cash fees for certain other financial audit assignments. This relates to the work we undertake under the Companies Act 2006 (referred to as our role as 'statutory auditor'), other statutory requirements (audits we undertake under other statute), and agreement audits. We also receive other income, largely from tenants occupying our main building. Our cash fees for these audit assignments and other services are recorded as income in the NAO's Statement of Comprehensive Net Expenditure and disclosed on page 165 of the NAO's Annual Report and Accounts, which is available on our external website. The following sets out the cash fees we have accounted for during 2025-26.
(i) revenues from the statutory audit of accounts of public-interest entities and members of groups of undertakings whose parent undertaking is a public-interest entity;	£0.14 million
(ii) revenues from the statutory audit of accounts of other entities;	£33.12 million
(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor; and	£0.89 million. Of this: • £0.3 million relates to other assurance engagements, including the audit of interim financial statements and special purpose accounts of a small number of companies. • £0.6 million relates to rent and service charge income from four audit bodies which rented office space in our London Headquarters building from the NAO in the 2025-26 financial year. • 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).
(iv) revenues from non-audit services to other entities	£2.76 million, of which £2.3 million relates to rent, service charges and miscellaneous income.

Note

1 The National Audit Office's Annual Report and Accounts 2025-26.

Source: National Audit Office

National Audit Office

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