

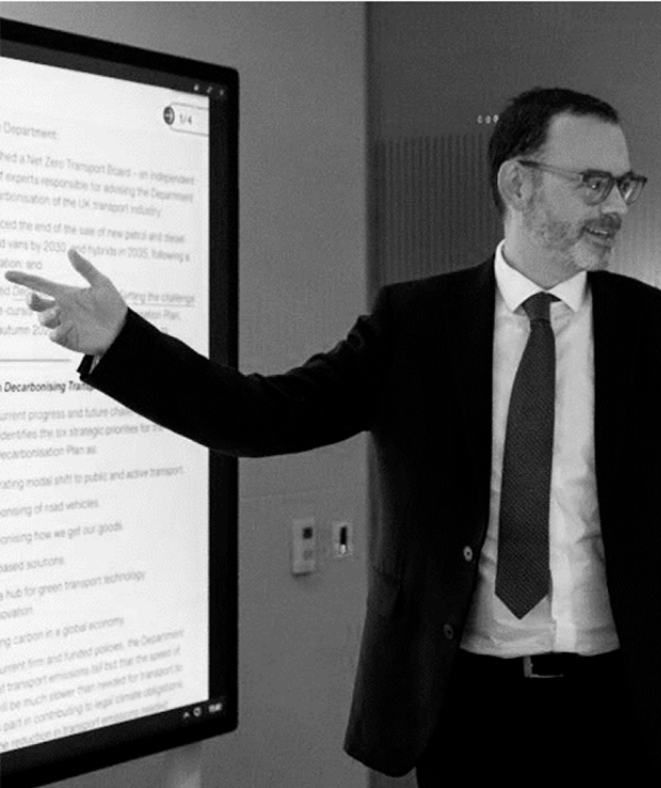
Young EUROSAT
The National Audit
Office, UK
June 2026



Introduction to the NAO

June 2026

What we do: Financial audit



73% of senior officials in the bodies we audit agree that our work leads to better outcomes.*

We provide an independent audit opinion on around **400** accounts per year. These include all central government departments, agencies and other public bodies. The C&AG certifies these accounts and reports the results to Parliament. Our work provides increased transparency that money is spent in line with Parliament's intention.

**Source: Annual report and accounts 2024-25*

What we do: Value for Money



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

We report to Parliament on whether government is delivering value for money and whether money has been used in the best way to achieve outcomes. We use three criteria to assess this: **economy** (spending less), **efficiency** (spending well) and **effectiveness** (spending wisely).

We publish around **60** value for money reports a year. Our role is not to question government policy. We make recommendations on how government can achieve value for money and improve services.

**Source: Annual report and accounts 2024-25*

Other Insights

Outside of VFM and Financial Audit work, we support Parliament by providing evidence and briefings to Public Accounts Committee (PAC), other select committees and individual MPs. This supports their scrutiny of public spending.

We also provide insights work to provide practical and valuable observations on how public services can be improved

We take a leading role in the EUROSAI Governing Board and we audit some international organisations; we also help audit institutions in countries that receive UK Aid. All of these support our learning and help the NAO to strengthen its efficiency and insights.

This includes:

87% of MPs send
we were
effective in
holding the
government to
account*

*2024-25 Annual report and accounts

**In 2024, we met
with 42
international
institutions to
share and
exchange
knowledge**

85% of senior
civil servants
who accessed our
insight products
found them
useful*

* Stakeholder feedback survey 2024

Our work saves public money. Each year, we assess the financial impact of our work and influence.

In 2024, our work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of **£5.3 billion**. This represents around £53 for every pound of our net expenditure.

This includes:

Our report Improving Broadband helped the promotion of social tariffs (cheaper broadband and phone packages offered to those claiming means-tested benefits). **In 2024 this work helped save eligible customers £23 million.**

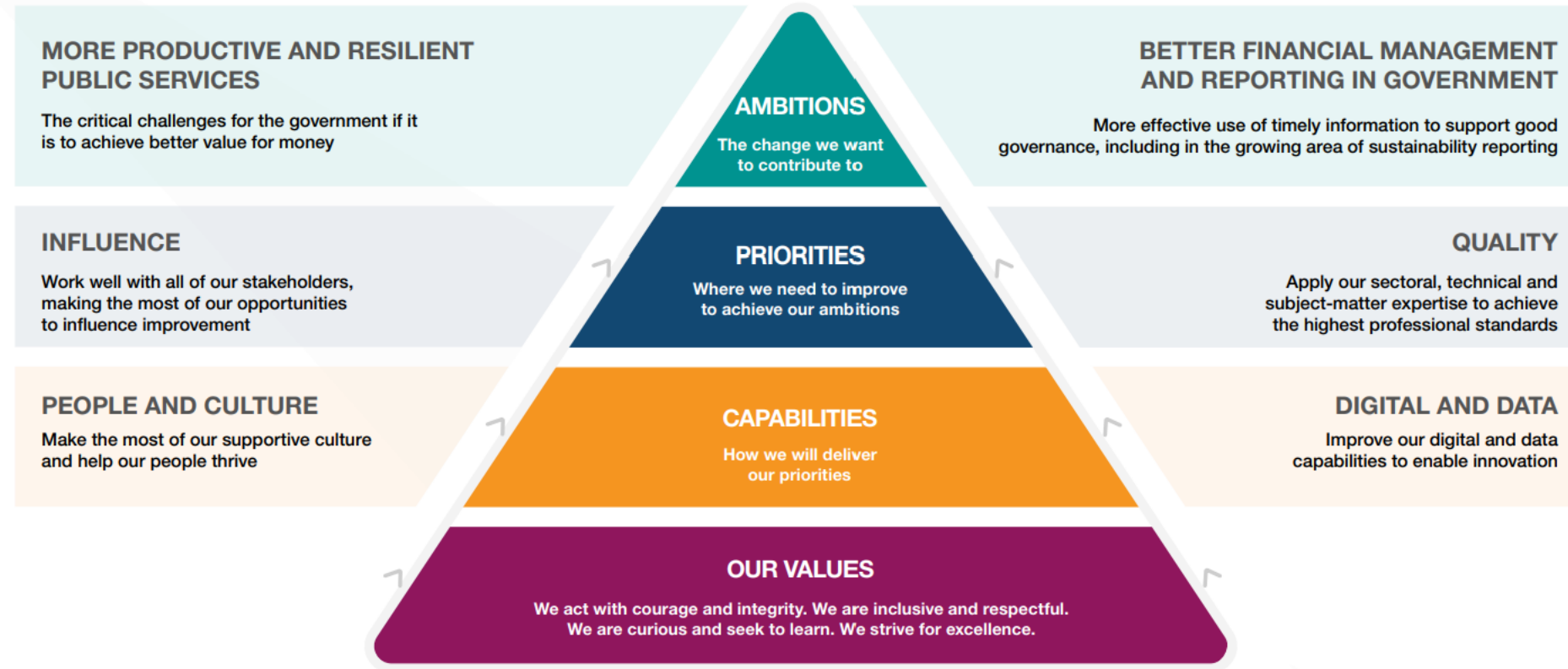
Our investigation into HM Passport Office and the management of passport applications following the Covid-19 pandemic led to the better management of customer demand.

Our report into the risks of RAAC in school buildings gained a great deal of publicity and resulted in parliamentary debate. DfE subsequently addressed RAAC safety concerns in the 237 schools and colleges confirmed as having RAAC.

Our 2025-30 five-year strategy

NAO STRATEGY 2025-2030 | TRUST • VALUE • IMPACT

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



Our external context

Digital transformation is one of the most powerful forces facing organisations. The digital external environment within which we operate is a key contributor to our approach to digitisation

Public Audit

- All firms are investing significantly in new and bespoke audit systems
- New systems which guide auditors to do the right thing first time, utilising modern data analytic techniques
- New low or no-code platforms, such as the Microsoft ecosystem lower the costs and barriers to building bespoke systems

UK Government

- Digital Strategy – six missions to improve services to UK citizens, close the legacy gap and reform how govt uses data
- Many initiatives to close the digital skills gap across government
- Decarbonising ICT – government ambitions to reduce the carbon footprint of the UK public sector digital estates (Net Zero targets)

Cyber threats

- Growth in systems and data capabilities also comes with an associated growth in threats
- The NAO's privileged position makes us a key target – need to balance data stewardship and governance against value & intelligence

Horizon scanning

- Growth in digital developments – AI (including ChatGPT / LLM), quantum computing, the metaverse and blockchain

Overall – many external factors influencing internal digital context

Our internal context

Within the NAO there are many factors which shape and influence our digital plans. We encourage audit bodies to innovate and use technology, and as an organisation, we must keep pace with this

Digital workplace

- Hybrid ways of working - with our people now transferring routinely between offices (in London and Newcastle), home and client-based working.
- Requirement for modern offices with improved video-conference capabilities - Microsoft Surface Hubs, Auditorium & Training Rooms (also new Newcastle office - a modern, hybrid and productive working space for our people)
- Outsourced IT support, end user device management and network management.
- Strategic cloud platforms - Microsoft, Salesforce & ServiceNow

Digital Audit Capability

- Audit Transformation Programme and audit tool for performance auditors
- Data analytics to support our auditors - automated & standardised ingestion & analysis of client data, use of PowerBI and other tools such as Microsoft Copilot and Datasnipper
- Digital first publishing - seamless integration of end-to-end design & publishing
- Innovation - experimenting with artificial intelligence tools and large language models

People and Knowledge

- New website - promoting digital first and improved find & retrieve capabilities, recommendations tracking
- Digital and Analysis Hubs - servicing & generating demand across the NAO, leading on digital and expert training
- NAO plan to launch our first AI strategy in July

Overall – all continuous improvement across the NAO comes with a digital context and ever-increasing demand for digital capabilities

Audit Transformation Programme



Transforming how we audit



Revised Methodology

- Refreshed methodology
- Enhanced focus on risk
- Enhanced focus on systems and controls



New Software

- New audit software
- Automation & guided workflow
- Integrated to back-office
- Microsoft Power platform build
- Datasnipper for sample testing



Digital Audit Techniques

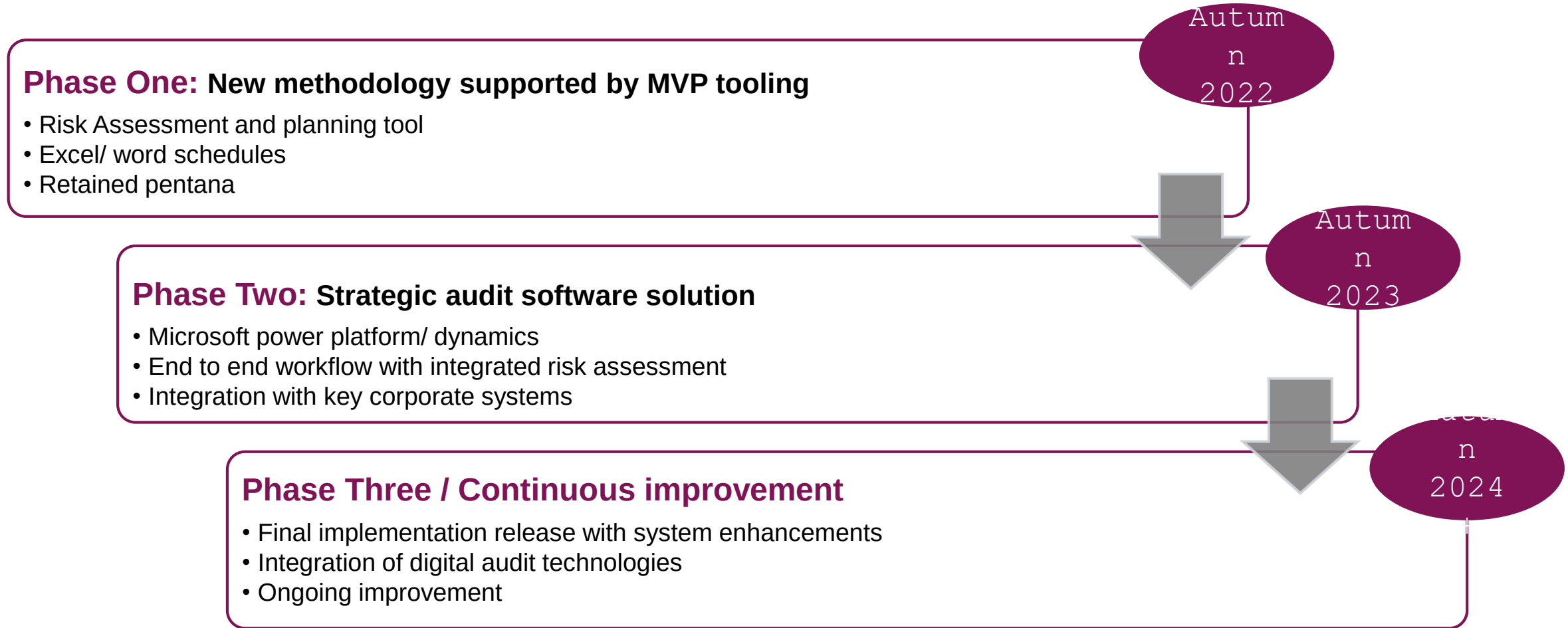
- Secure, conformed data platform
- Data analytics apps
- Sampling app
- IT audit/controls
- Exploring AI/ML/wider tech



Our People

- Effective change management
- Training and guidance
- A new way of working for Financial Audit

Implementation



The new methodology

- A greater focus on **business processes**
- Movement to a **Risk of Material Misstatement (RoMM)** model
- A more granular assessment of risk using a structured assessment of **inherent risk factors**.
- Places RoMMs on the '**Spectrum of Risk**' as either a significant, medium, or low risk.
- Based on this placement, different combinations of assurance (inherent, controls, and substantive) are used to address the risk.

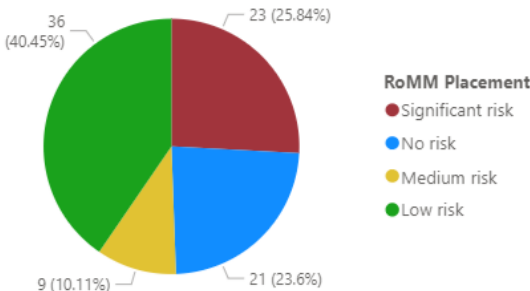
Spectrum of Risk

Financial Statement Impact					
High		Significant or Medium Risk	Significant Risk	Significant Risk	
		Medium Risk	Medium Risk	Significant Risk	
		Low Risk	Medium Risk	Significant or Medium Risk	
		Low	Medium	High	
		Likelihood			

Risk Assessment and Planning Tool

Risk of Material Misstatement Placement

RoMM by RoMM Placement

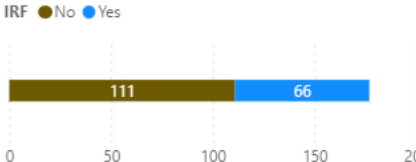


Inherent Risk Factors Answered

Financial Statement Risk Area
Answers by IRF



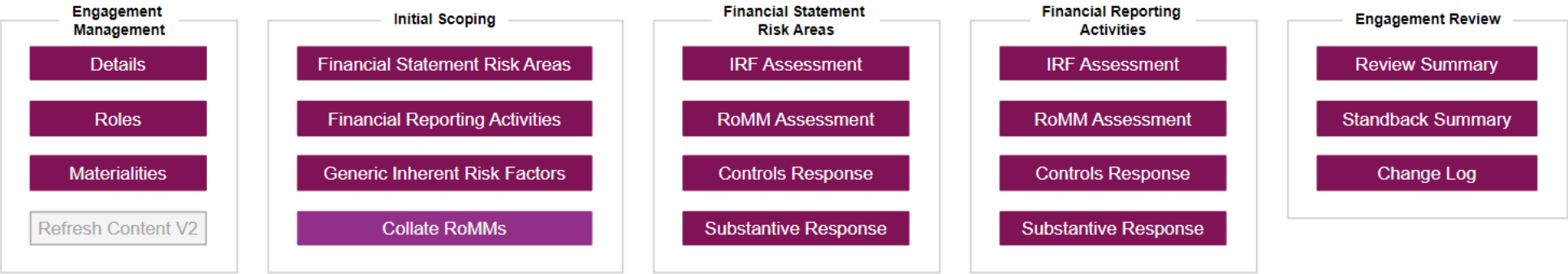
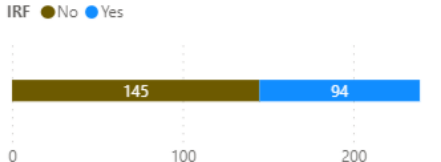
Financial Reporting Activity Answers
by IRF



Financial Statement Risk Sub Area
Answers by IRF



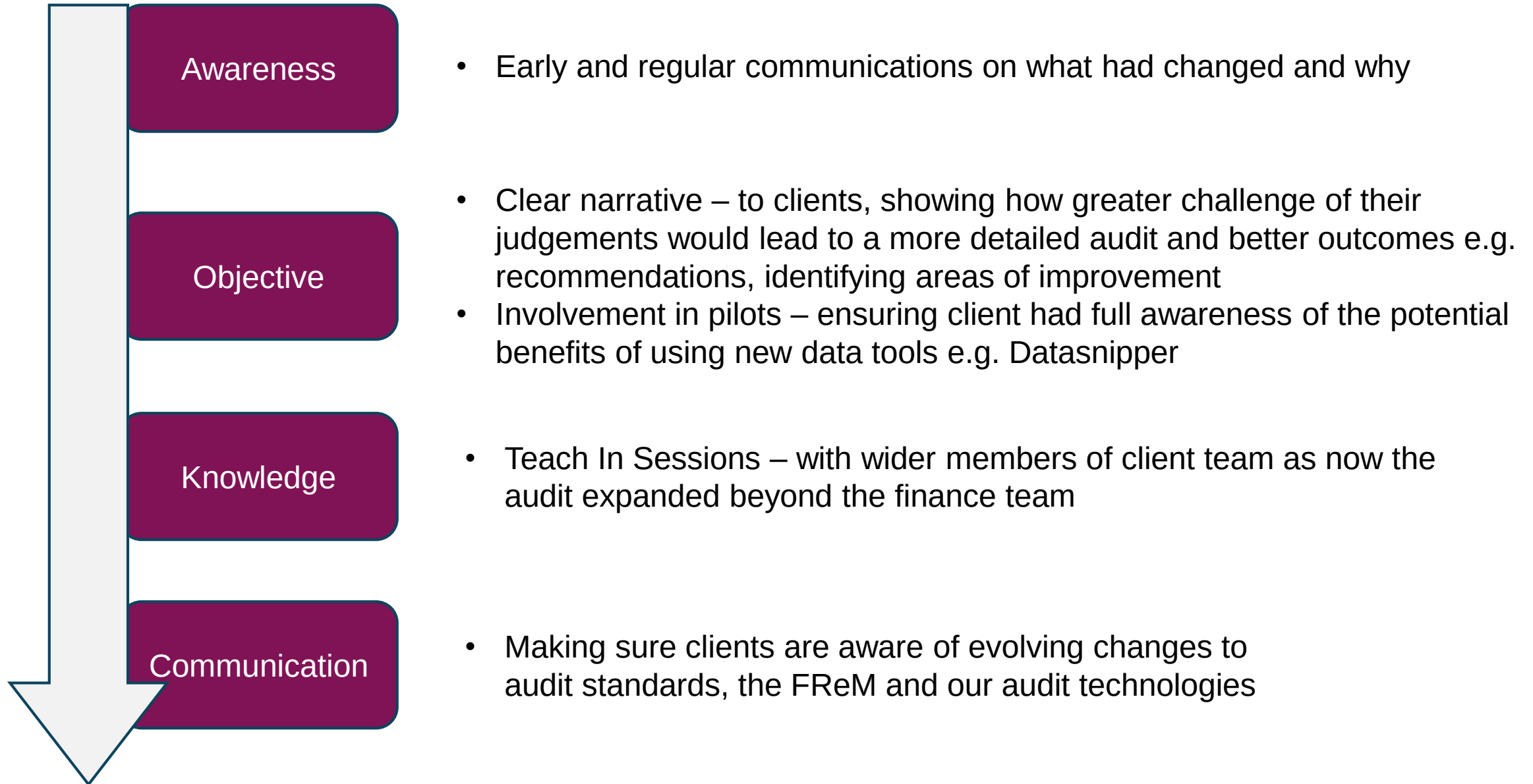
Financial Reporting Sub Activity
Answers by IRF



Managing change with our people



Managing change with our clients



Using Copilot as a Value for Money auditor



Three rules for using Copilot as a VFM auditor



Safety

Copilot is a valuable tool to help us work smarter and more effectively: like Excel or Word. It is important people understand how to use the technology, and that data protection rules still apply.



Supervision

You can use Copilot across all of our work, including work to support VFM audit judgements. It is a tool to assist auditors, but responsibility for audit quality and obtaining sufficient, appropriate evidence remains with the VFM auditor, with meaningful human involvement at all times.



Share

If your use of Copilot is material, discuss it within your team, and include details in the VFM report methods appendix.

VFM Prompt library



- VFM Prompt library with almost 80 prompts designed for the audit study cycle.
- The prompts are tailored to the NAO VFM process. The queries are extensive, ensuring outputs mitigate issues with hallucinating information, reflect the NAO style and apply necessary quality measures.
- Prompts designed for each part of the study cycle - scoping, fieldwork, drafting and publication.
- Community contributions help to build the library - when people identify something that works it gets tested and added to the library. Contributors are responsible for 30 of the prompts now in the prompt library!

Prompt Title - Note: All prompts are intended for testing. Outputs are not assured and must be checked and used in accordance with the Three (Copilot) Rules for VFM Audit. PAC-related prompts are paused pending PRT review and update.	Audit Stage	Pain point	Prompt description	Type of Prompt: Community or Central team	Link (CLICK) - Note: All prompts must be checked and approved by Auditors PAC
Key strategic insights	Scoping	Too many DOs, key issues hidden	This prompt gathers the latest Departmental Overviews from the NAO website, analyses them for recurring strategic themes, and links those themes to NAO's strategic ambitions.	Community Inspired	Work through the
Taxpayers perspective	Scoping	Unclear alignment between report content and public interest.	It asks for a taxpayer's perspective on what an NAO report should include, focusing on big numbers, insights, and essentials.	Community Inspired	Imagine that you
Strategic Question Builder	Scoping	Difficulty framing strategic and diagnostic audit questions.	Generates one strategic VFM study question and three diagnostic sub-questions using NAO-aligned audit methodology for a given topic.	Central Team	Generate one s

Remember: Safety – Supervise - Share

Query examples



Scoping

- Summarise client documents from SharePoint to identify key priorities for scoping.
- Build a clear, evidence-based evaluation framework aligned to NAO standards for Economy, Efficiency, and Effectiveness.
- Gather external reports, summarise them, and extracts a list of priority stakeholders with their roles and relevance.

Fieldwork

- Create a clear, flexible interview guide tailored to study objectives and context.
- Read a client document and summarise its name, purpose, coverage, and key takeaways in under 100 words, formatted as a table.
- Challenge initial report findings by creating the most compelling opposing arguments.

Drafting

- Rewrites draft text to match the NAO style, ensuring clarity, logical flow, and technical accuracy.
- Compares a draft report with supporting evidence to confirm consistency.
- Provides expert, disciplined feedback on a qualitative draft report to improve clarity, rigour, and strategic relevance.

Where next?



- Expanding the number of Copilot licences to the whole of the VFM service line.
- Learning pathways to introduce structured training for using Copilot.
- Structured team conversations about how we will use it in our work.
- Continue to highlight what we each bring to the role as we harness the benefits of Copilot, and ourselves provide critical quality assurance to the outputs.
- Acknowledge the need to consider the balance of harnessing AI while considering the linked sustainability issues. Upcoming AI seminar being held to explore best practice so we can adopt responsible, effective and sustainable use of AI.

Sustainability at the NAO



Environment and Climate Change Hub



Most, if not all, of our clients will have a role to play in delivering the government's net zero and Environment Act targets and will become increasingly exposed to climate change and nature related risks, with potential implications for their operations, policy delivery and financial position.

Purpose of the Environment and Climate Change (E&CC) hub is to:

- Build the NAO's skills, influence and programme of work on environment and climate change, to support the value for money of Government's delivery of its goals; and
- Be a catalyst for improved sustainability reporting and assurance practices in the public sector

Hub publications:

Government's approach to the environment and climate change 2023-24

Achieving environmental improvement and responding to climate change

Implementation of climate related reporting in central government annual reports

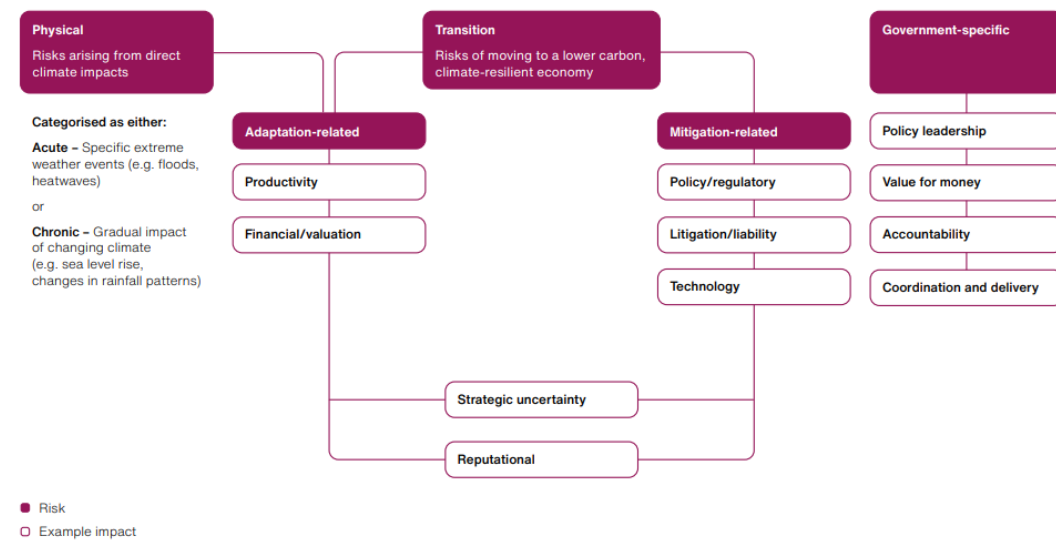
Climate risk in financial audit

- Entities are now required to produce TCFD disclosures which disclose their carbon emissions, water usage and other climate metrics
- Valuations of Property, plant and equipment, particularly buildings that are impacted by climate change
- This is alongside issues such as radon, RAAC, and obsolescence that has been an increasing problem for public sector buildings
- Engagement with the climate risk – balancing priorities

Figure 3

Types of climate-related risk facing public sector organisations

There are three types of climate-related risks facing public sector organisations: physical, transition and government-specific risks



Notes

- 1 For more information about climate-related risks, see National Audit Office, *Climate change risk: a good practice guide for Audit and Risk Assurance Committees*, August 2021.
- 2 The example impacts within this figure are illustrative.
- 3 Adaptation risks arise as a result of failing to adapt to physical and transition risks.
- 4 Mitigation risks arise due to changes in national and international legislation and regulation intended to decarbonise the economy, as well as changing technology intended to support the transition to net zero. Organisations may need to adapt to these changes in their operating environment or face increased costs.
- 5 Government-specific risks are those that, while not unique to government, may be more prominent given the particular challenges faced by government organisations.

Source: Adapted from National Audit Office, *Climate change risk: a good practice guide for Audit and Risk Assurance Committees*, August 2021

See page 14: [Implementation of climate-related reporting in central government annual reports](#)

Our recent report



This report examined the potential value that TCFD-aligned disclosures could bring to central government bodies, the way that HMT has implemented the disclosures, and the benefits and challenges experienced by bodies across government preparing these disclosures.

One of the key aims of our report is to use it as a springboard to encourage Parliamentary scrutiny of central government reporting on climate-related issues. The report includes introductory material on climate risks and TCFD, as well as content intended more for departmental board members and TCFD preparers.

The report identifies:

- **Seven enablers** that we expect would help TCFD preparer bodies to unlock value from the exercise of engaging with the framework.
- **Three recommendations** for HMT to improve implementation of any future sustainability reporting frameworks.

[Implementation of climate-related reporting in central government annual reports](#)

These are aimed at practitioners, and departments leading the implementation.

THE SPARK



National Audit Office

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



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