Financial Reporting Advisory Board Paper

NAO Reporting Cycle Update 2025-26

Issue:	This paper provides an update on the timeliness of central government reporting in 2025-26, and details of qualified audit opinions issued.
Impact on guidance:	N/A
IAS/IFRS adaptation?	N/A
Impact on WGA?	N/A
IPSAS compliant?	N/A
Interpretation for the public sector context?	N/A
Impact on budgetary regime?	N/A
Alignment with National Accounts – ESA 10?	N/A
Impact on Estimates?	N/A
Recommendation:	FRAB is asked to note the information contained in the update.
Timing:	The update contains information drawn at 9 November 2026

DETAIL

Background

1. The C&AG has set out his ambition that 70% of all audits, including all major government departments, are certified by the end of July each year. For 2026-27 the C&AG has set a secondary target that all audits should be certified by 31 October.

2025-26 reporting cycle update

1.1 Government made good progress in delivering timelier accountability through earlier publication of Annual Report and Accounts for the 2025-26 reporting cycle. For 2025-26, 70% of all audits were certified by the end of July (64% for 2024-25) including 76% of major government departments (53% for 2024-25).

2024-25 9 out of 17 major departments certified pre-recess (53%)	2025-26 13 out of 17 major departments certified pre-recess (76%) * = moved to pre-Recess
Pre-recess • DfE • DfT	Pre-recess • DBT* • DCMS *

• DSIT • DWP • FCDO • HMRC • HMT • Home Office • MHCLG	• DEFRA* • DESNZ* • DFT • DSIT • DWP • FCDO • HMRC • HMT • Home Office • Ministry of Defence* • MHCLG
Post-recess • Cabinet Office • DBT • DCMS • DEFRA • DESNZ • DHSC • Ministry of Defence • Ministry of Justice	Post-recess • Cabinet Office • DFE • DHSC • Ministry of Justice

2. Our analysis across our portfolio indicates that the key reasons for advancement of timetables to a pre-recess delivery include: early engagement on accounting judgements; engagement with arms-length bodies to support a pre-recess critical path; and accepting a modified opinion (limitation of scope) to support timelier accountability. Where timetables moved post-recess, the key reasons included: complexities arising in modelling accounting estimates; capacity of accounts preparers; and implementation of IFRS 17.

3. We continue to track progress of certifications post-recess. As at 31 October 2026, 83% of audits (80% at 31 October 2025) had been certified including 88% of major government departments. Where timetables slipped from a planned October certification the reasons were due to: governance timetables (24%); capacity of accounts preparers (36%); technical issues arising from audit findings to be resolved (13%); third party dependencies (11%); post balance sheet event adjustments (3%); and other (13%).

Qualified audit opinions

4. This paper sets out the modified audit opinions on 2025-26 financial statements. These are also listed on the NAO external website. The population is split between True and Fair qualifications and Regularity qualifications. A full schedule of qualified audit opinions for 2025-26 and 2024-25 is set out at Appendices A and B.

5. The paper reflects the published population as at 9 November 2026. Note that we do expect there to be some further qualifications on 2025-26 accounts which have not yet been certified.

Qualified opinions	2025-26 published qualifications**
True and Fair	5
Regularity	5
Total*	10

*Department for Energy Security & Net Zero appears in both categories linked to the same underlying issue.
**The Whole of Government Accounts (WGA) has been included though it is the 2024-25 account that was published this year. There is no regularity opinion provided on the WGA.

6. Overall, we have seen progress made in resolving the issues which gave rise to true and fair qualifications in 2024-25 (limitations of scope on the valuation of liabilities (Cabinet Office / Infected Blood Compensation Authority and the Department of Business and Trade) or assets (Ministry of Defence)), and with fewer equivalent issues arising in 2025-26.

7. In respect of the 2025-26 true and fair qualifications we expect further progress in 2026-27 as set out in the specific case examples at Appendix C.

8. We continue to report repeated regularity qualifications arising from fraud and error for the Department of Work and Pensions, HM Revenue and Customs, and the Rural Payments Agency. Work is underway with the departments to establish the level of fraud and error that would be present in a cost-effective control environment, to drive improvement in management of fraud and error, and to establish a new materiality level at which a qualification may be lifted.

9. Whilst we have seen fewer regularity qualifications to date in 2025-26, it is too early to conclude on the overall trend as we note there are some further qualifications expected. 2025-26 regularity qualifications are set out Appendix C.

Appendix A: Published 2025-26 Qualifications

Body	True and Fair	Regularity
Department for Culture, Media and Sport	Yes	No
Department for Business and Trade	Yes	No
Department for Energy Security & Net Zero	Yes	Yes
Valuation Office Agency	Yes	No
Department for Work and Pensions	No	Yes
HM Revenue & Customs	No	Yes
Rural Payments Agency	No	Yes
Whole of Government Accounts (2024-25)	Yes (disclaimer)	Not applicable
National Savings and Investments	No	Yes

Appendix B: Published 2024-25 Qualifications

Body	True and Fair	Regularity
Cabinet Office	Yes	No
Department for Business and Trade	Yes	Yes
CMG 93 and 03 Scheme**	Yes (disclaimer)	Yes
Valuation Office Agency	Yes	No
DWP Resource Account	No	Yes
HM Revenue & Customs Resource Account	No	Yes
Rural Payments Agency	No	Yes
College of Policing*	Yes (disclaimer)	Yes
House of Lords	No	Yes
Infected Blood Compensation Authority	Yes	No
Ministry of Defence Resource Account	Yes	Yes
Phone-paid Services Authority**	No	Yes
Social Fund*	No	Yes
UK Health Security Agency*	Yes	No
UK Statistics Authority	No	Yes
Consumer Council for Water*	No	Yes
Queen Elizabeth II Conference Centre*	Yes	No
Whole of Government Accounts (2023-24)	Yes (disclaimer)	Not applicable

Appendix C: Published 2025-26 True and Fair Qualifications detail

Department for Business and Trade

The opinion was qualified because the C&AG could not obtain sufficient evidence for the opening balance and some in-year transactions relating to the Horizon Shortfall Scheme provision. Sufficient evidence was obtained for the closing provision and compensation payments made during the year, paving the way for a clear opinion in 2026-27. This represented a positive step to clearing the qualification that arose in 2024-25.

Department for Energy Security & Net Zero

The opinion was qualified because the C&AG could not obtain sufficient appropriate evidence over transactions and balances managed by Liverpool Bay CCS Limited. Liverpool Bay CCS Limited was included on the DESNZ designation order for the first time in 2025-26, and therefore consolidated into DESNZ. The auditors of Liverpool Bay CCS Limited, who were appointed prior to the designation order, were unable to confirm their independence from DESNZ and therefore the C&AG was unable to place reliance on their work. The C&AG did not have alternative audit procedures available that could be performed to support a pre-recess certification. DESNZ management determined to sign their accounts pre-recess without the assurances obtained.
DESNZ are looking to resolve the independence issues for the 2026-27 audit.

Department for Culture, Media and Sport

The opinion was qualified because assurances were not available from pension scheme auditors to meet a pre-recess timetable, and no alternative audit procedures were possible. DCMS management determined to sign their accounts pre-recess to avoid delay and provide timelier accountability to Parliament. As a result, the C&AG could not obtain sufficient appropriate evidence over pension assets and liabilities relating to the Local Government Pension Scheme.
We expect the issues giving rise to the qualification to remain in place for 2026-27.

Valuation Office Agency

As with DCMS, the VOA was qualified because assurances were not available from pension scheme auditors to meet a pre-recess timetable. VOA management determined to sign their accounts pre-recess to avoid delay and provide timelier accountability to Parliament. The C&AG could not obtain sufficient and appropriate evidence over the gross or net pension assets relating to the London Pensions Fund Authority.
The Valuation Office Agency has been subsumed into HM Revenue and Customs (HMRC) from 2026-27. The pension assets and liabilities are not material to HMRC.

Whole of Government Account (2024-25)

The Whole of Government Accounts were disclaimed due to the inclusion of significant levels of unaudited data being consolidated into the account. The majority of this unaudited data was in respect of English local government bodies. Further to this there were also significant numbers of entities not consolidated which should have been, for which data was not available. Both matters were judged to be both material and pervasive to the WGA account.
Our audit certificate notes the following matters that would cause a qualification if the account was not disclaimed:

- the definition and application of the accounting boundary;
- inconsistent application of accounting policies; and
- the consolidation of components with non-coterminous year ends.

Resolution of the disclaimer opinion remains linked to the rebuilding of assurances for English local government bodies.

Appendix C: Published 2025-26 Regularity Qualifications detail

Department for Energy Security & Net Zero

The regularity opinion was qualified because the C&AG could not obtain sufficient appropriate evidence over the transactions and balances managed by Liverpool Bay CCS Limited. The reasons for this limitation have been set out in the True and Fair section.

Department for Work and Pensions

The regularity opinion was qualified due to material fraud and error in benefit expenditure, excluding state pension. The fraud and error rates are calculated for overpayments and underpayments and are 6% and 0.5% of all related expenditure (excluding state pensions) respectively.

HM Revenue & Customs

The Resource Accounts regularity opinion was qualified due to material fraud and error in Corporation Tax research and development reliefs (CTR) and Child Benefit expenditure. The overpayments in respect of CTR sit at 5.3% of related expenditure and the fraud and error rates in Child Benefit they are 2.0% of related expenditure. Please note this does not impact the HMRC Trust Statement which received a clean opinion.

Rural Payments Agency

The regularity opinion was qualified due to identified non-compliance with scheme rules resulting in an estimated irregular spend of £73.4 million, which was assessed to be material. The irregularity rate was 4.23% of overall grant expenditure.

National Savings and Investments

The Resource Account had a qualified regularity opinion due to an excess vote. The Resource Annually Managed Expenditure Parliamentary control total voted for 2025-26 was breached due to the recognition of a provision (£53.8m) for payments expected to be made under the National Savings Remediation Scheme, following the identification of historic underpayments to the estates of deceased customers.