HM Treasury

Treasury Minutes

Government response to the Committee of Public Accounts on the Eighth to the Eleventh reports from Session 2021-22

CP 520 September 2021

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by the Exchequer Secretary to the Treasury
by Command of Her Majesty

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Government response to the Committee of Public Accounts Session 2021-22

Eighth Report of Session 2021-22

Department for Digital, Culture, Media, and Sport

COVID 19: Culture Recovery Fund

Introduction from the Committee

The COVID-19 pandemic hit the arts, culture and heritage sectors hard. Museums, galleries, cinemas, music venues, nightclubs, theatres, arts centres and heritage sites closed their doors to visitors on 23 March 2020 when the UK entered the first national lockdown. Many organisations in the sector remained entirely or mostly closed for a year. Without targeted support, the Department for Digital, Culture, Media and Sport (the Department) expected large-scale financial failures arising from the pandemic during 2020–21, with many organisations likely to close permanently if support was not available by September 2020. In July 2020 the Culture Secretary announced a £1.57 billion package, the Culture Recovery Fund, to help the UK's cultural, arts and heritage institutions survive the pandemic, supporting their long-term sustainability. The fund's primary objective is to rescue cultural and heritage organisations at risk of financial failure in the financial year 2020–21 due to COVID-19. The Department is accountable for this fund.

Based on a report by the National Audit Office, the Committee took evidence on Monday 26 April 2021 from the Department for Digital, Culture, Media and Sport. The Committee published its report on 23 June 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Investigation into the Culture Recovery Fund – Session 2019-21 (HC 1241)
- PAC report: COVID 19: Culture Recovery Fund – Session 2021-22 (HC 340)

Government response to the Committee

1: PAC conclusion: The Department's biggest ever single investment in the arts and culture sector will require skilled oversight and management for years to come.

1: PAC recommendation: The Department should write to us within three months setting out its plans for overseeing the capability and skills in its arm's-length bodies given their ongoing role in monitoring the Culture Recovery Fund.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: mid-September 2021

1.2 The Department for Digital, Media and Sport (DCMS or the department) will write to the Committee on this matter by mid-September 2021. DCMS works with 45 public bodies to deliver its goals. A number of DCMS's ambitions relating to the department's relationship to its arm's-length bodies (ALBs) are set out in the department's recently published Outcome Delivery Plan for 2021-2022.

2: PAC conclusion: We are concerned about the Department's and Arts Council England's ability to manage the significant and ongoing loan book commitments created by the Culture Recovery Fund.

2: PAC recommendation: In its Treasury Minute response, the Department should set out how it will make sure it has the resources in place to take on the new responsibilities for managing loans, and how it has drawn on learning from across government about managing the operation and future risks of its loan book commitments, including risks of organisations defaulting.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

2.2 DCMS officials are working carefully in order to establish the most appropriate mechanism for managing the loan book over the long term, factoring in best practice from across government and from industry experts. As a novel form of government investment, it is clear that sufficient resources must be provided to whomever ultimately manages the loan book - and that the appropriate structures underpinned by relevant expertise will be needed to reduce risks of default.

2.3 The Committee has asked for further updates on the Culture Recovery Fund in December 2021, and the department will include further information on this at that point.

3: PAC conclusion: In implementing the fund during the pandemic, the Department's need to act quickly to provide funding to applicants while also protecting taxpayers' money meant some applicants' experiences could have been better.

3: PAC recommendation: In its Treasury Minute response, the Department should set out what more it is doing to communicate with those who were unsuccessful in securing funding and streamline its funding processes to cut out any unnecessary demands on recipients that slow down funding, consistent with protecting taxpayers' money from fraud.

3.1 The government disagrees with the Committee's recommendation.

3.2 Firstly, on the point concerning streamlined funding processes and demands on applicants, the Culture Recovery Fund (CRF), characteristic of all COVID-19 pandemic funding, was delivered at pace and at unprecedented scale to provide emergency relief to a sector in severe economic distress. However, the need to ensure that money was distributed quickly needed to be balanced with factors such as ensuring proper allocation of taxpayers' money, reducing the risk of fraud, and the need to provide a high-quality service to people who interacted with the programme.

3.3 The funding process for CRF was made as streamlined as possible in order to fulfil the core policy aims of the fund, and the conditions on the funding determined by government ministers. In DCMS's view, any further streamlining or reduction in the grant making process would have put at risk the propriety of the fund's delivery.

3.4 Secondly, on feedback, the provision of very detailed feedback to all unsuccessful applicants gives rise to an immediate opportunity cost by taking effort away from the delivery of funds to successful applicants, and can lead to delays particularly when DCMS ALBs are delivering an unprecedented scale of funding at pace.

3.5 After the delivery of CRF1, some adjustments were made to feedback, such that applicants received slightly more detail (specifically - Arts Council England increased the level of feedback provided to unsuccessful applicants). In CRF2, all unsuccessful applicants were either provided with specific reasons why their application had been rejected, with reference to the criteria they had not met, or further information was available on request. In DCMS's view, the level of feedback being provided during CRF2 was right in the context of needing to prioritise the delivery of an emergency economic response.

4: PAC conclusion: The Department lacks a comprehensive understanding of the coverage and impact of its funding on parts of the sector which found themselves without funds.

4: PAC recommendation: The Department should write to us within three months setting out what it intends to do to support those that were under-represented in terms of the funding they received from the Culture Recovery Fund such as freelancers and festivals.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: mid-September 2021

4.2 DCMS will write to the Committee on this matter by mid-September 2021. However, the government does not agree that it lacks an understanding of the coverage or impact of its funding, nor does the government agree that it has not supported the sectors identified.

5: PAC conclusion: It remains to be seen whether the Department has achieved its objectives for the Culture Recovery Fund and secured longer-term value for money.

5a: PAC recommendation: The Department should set out:

- ***in its Treasury Minute response, the metrics it is using to evaluate the performance of the Culture Recovery Fund against its initial objectives; and***

5.1 The government agrees with the Committee's recommendation

Recommendation implemented

5.2 The evaluation of the CRF has been externally commissioned by DCMS to a consortium led by Ecorys UK, with Ipsos MORI and BOP Consulting, and will conclude by March 2022. The evaluation will include 'impact' and 'process' elements of the CRF. Impact evaluation will assess CRF effectiveness in achieving its objectives. Process evaluation will explore how the CRF was delivered and the extent to which the CRF was implemented as intended. The principal objectives of the evaluation will be to assess the following:

- did the intervention lead to the sustainability of organisations of cultural, creative and heritage significance, ensuring the maintenance of the cultural ecosystem?
- did the investment provide value for money?

5.3 The CRF impact evaluation will include a range of methods including surveys, case studies and econometric analysis. A process study is also being conducted to gather lessons learnt.

5.4 DCMS is currently finalising the methodology to assess the direct impacts of the fund but metrics are likely to include:

- financial sustainability (for example, reserves, assets, liabilities, operating income, operating costs, survival rates),
- trading status (visitor/audience numbers, adoption of new business models), and
- employment (number of workers employed, number of furloughed workers, number of redundancies).

To assess the wider impacts of the fund on the cultural ecosystem the department aims to obtain data on survival of local cultural organisations and spending placed with supply chains.

5.5 The evaluation will also assess the value for money of CRF. The approach will be based on a methodology compliant with the Treasury Green Book. The approach will draw on data collected across the evaluation to assess the economy, efficiency and effectiveness of the intervention. A cost-benefit analysis will be central to this assessment which the department expects will include:

- opportunity costs resulting from public sector funding,
- administrative costs,
- economic and social value of cultural assets preserved,
- net gross value added (GVA) from productivity gains, and
- public health benefits.

5b: PAC recommendation: The Department should set out:

- ***once its evaluation is complete, what it will do to apply lessons to achieve value for money from its Culture Recovery Fund spending for the whole sector including subsectors that may have been missed.***

5.6 The government agrees with the Committee's recommendation

Target implementation date: Spring 2022

5.7 The government will prepare a policy paper for publication in parallel with the evaluation of the Culture Recovery Fund, setting out lessons learnt from the process.

6: PAC conclusion: The taxpayer's investment in the sector, and the Department's future role in overseeing it, present a huge opportunity for the Department to step up its support and advocacy for the sector.

6a: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***what she sees as the key challenges facing the sector following the Department's Culture Recovery Fund investment.***

6.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

6.2 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline what she sees as the key challenges facing the sector following the department's Culture Recovery Fund investment.

6b: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***what opportunities the fund has offered for the Department to be a better advocate for the vibrancy of the creative arts and culture sector in all parts of the country; and***

6.3 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

6.4 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline the department's approach to advocating for the vibrancy of the creative arts and culture sector in all parts of the country and the way that DCMS has leveraged the fund to support this approach. However, the government considers that DCMS is already a good advocate for the vibrancy of the creative arts and culture sector in all parts of the country. The Here for Culture campaign, and the Rediscover Summer campaign represent strong examples of this role.

6c: PAC recommendation: The Permanent Secretary should write to us by the end of 2021 setting out:

- ***how the Department will realise future cultural and economic impacts, including for export, from its investment.***

6.5 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

6.6 The DCMS Permanent Secretary will write to the Committee in December 2021 to outline how the department will realise future cultural and economic impacts, including for export, from its investment.

Ninth Report of Session 2021-22

Cabinet Office and HM Treasury

Fraud and Error

Introduction from the Committee

Fraud is estimated to account for 40% of all crime committed across the UK. Fraud and error in public spending are estimated to cost the taxpayer up to £51.8 billion every year, around £25 billion of which is outside the tax and benefits system. Each Department is responsible for managing its own risks of fraud and error leading to varying approaches depending on their understanding of the risks and the importance given to them. In 2018 Cabinet Office established a Government Counter Fraud Function which works to increase the understanding of fraud risks and threats to government by instilling professional standards and bringing together the 16,000 counter fraud professionals across the public sector. HM Treasury is responsible for setting out the counter fraud requirements for government departments and approving policy spend.

Government introduced many vital support schemes in response to the COVID-19 pandemic, with BEIS, DWP and HMRC responsible for some of the schemes identified as having the highest risk of fraud or error. Between April 2020 and March 2021, fraud within Universal Credit rose to an all-time high of 14.5% and BEIS estimates between 35% and 60% of loans issued through the Bounce Back Loan Scheme may not be repaid.

Based on a report by the National Audit Office, the Committee took evidence on 29 April 2021 from Cabinet Office, the Department for Business, Energy & Industrial Strategy, the Department for Work and Pensions, HM Revenue and Customs and HM Treasury. The Committee published its report on 30 June 2021. This is the government's response to the Committee's report.

Relevant reports

NAO report: Good practice guidance: Fraud and error – Session 2021-22 (HC 253)
PAC report: Fraud and Error – Session 2021-22 (HC 253) Cabinet Office

Government response to the Committee

1: PAC conclusion: The taxpayer is expected to lose billions of pounds from the increased risk of fraud and error in the Government's COVID-19 schemes.

1: PAC recommendation: HM Treasury and Cabinet Office should, within 3 months, set out:

- ***how they will ensure that departments are implementing a zero-tolerance of fraud and error following the pandemic; and***
- ***how they will ensure departments apply the same level of innovation when tackling the increased risk of fraud and error as they did when implementing the COVID-19 response schemes.***

1.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

1.2 The government takes a zero-tolerance approach to all internal fraud. No level of internal fraud is tolerated and when internal fraud is detected, departments are committed to taking action.

1.3. Departments take a risk-based approach to fraud and error overall. This is in line with best practice and is advocated by the Government Counter Fraud Function (GCFF). The use of a risk based approach is supported by the Counter Fraud Functional Standard, the National Audit Office's good practice guidance and the Orange Book.

1.4 The government welcomes the recommendation to focus on greater innovation. The GCFF will highlight areas of leading practice and the government will look to innovate in the use of data through the piloting of data matching exercises and techniques to find and prevent fraud.

1.5 The government will continue to seek innovative practices through work with international partners, chairing the International Public Sector Fraud Forum to share leading and innovative practices.

1.6 The GCFF will write to the Committee in November 2021 setting out how it applies a risk-based approach to fraud and error and highlighting the work that is being done across departments to improve the use of data.

2: PAC conclusion: Government's focus on the long-standing fraud and error risks it understands, risks large amounts of fraud and error being unidentified or untackled elsewhere.

2: PAC recommendation: HM Treasury and Cabinet Office should, within six months, work with all Departments to build on the existing Global Fraud Risk Assessment and identify and publish all the fraud and error risks to public money across government and commit to updating this publication annually.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2022

2.2 The Global Fraud Risk Assessment (GFRA) was created in response to COVID-19 using temporary funding and focuses on COVID-19 and economic recovery spending. The GCFF and departments will continue to build the GFRA throughout 2021-22.

2.3 While greater transparency is welcomed, publishing individual fraud and error risks could increase the overall risk of fraud. As such, the government will not publish fraud risks at this level of detail. However, if the GFRA continues, the GCFF will provide access to it across government (including to Finance leads) and update it annually.

2.4 It should be noted that accounting officers have responsibility for identifying and understanding their risks, including fraud. They assess their organisation's exposure to fraud risk and provide the response that they consider is appropriate. Where an accounting officer assesses that there are material levels of fraud and error, the department must provide details within their annual report and accounts, explaining the level of fraud and error and the impact on the financial statements. Departments must also report levels of detected, prevented and recovered fraud to the Government's Counter Fraud Function as well as consider doing so to the National Audit Office (NAO).

2.5 The government will increase transparency on the use of Fraud Risk Assessments across departments in future Fraud Landscape Reports.

3: PAC conclusion: Departments' lack of urgency to robustly measure fraud and error hinders their ability to direct their counter fraud and error efforts.

3a: PAC recommendation: HM Treasury should, within three months, strengthen current reporting requirements and ensure that all departments measure and report on the risks of fraud and error within each of their COVID-19 support schemes.

This should include:

- ***The estimated value of fraud and error within their COVID-19 response;***
- ***How identified risks of fraud and error are being addressed, and***
- ***Any planned action to recover taxpayer money lost to fraud and error, including timescales.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

3.2 HM Treasury mandated that departments claiming COVID-19 support scheme funds must provide details within their 2020-21 annual report and accounts of the nature and extent to which these grants were claimed. In 2021-22, guidance goes further, requiring that departments estimate the level of fraud and error in their COVID-19 support schemes. Departments need to identify risks, make an evidenced estimate of the extent of fraud and error, and explain how risks are being managed.

3.3 Additionally, the Ministerial Implementation Group, in May 2020, required departmental action plans for all COVID-19 schemes, detailing how they will identify, measure and recover irregular payments made through stimulus packages, repurposed spending and areas of increased demand. These plans, and progress against them, will be reviewed by the GCFF and Fraud Ministerial Board.

3.4 HM Treasury sets financial reporting policy for central government entities and has enhanced the level of departmental risk reporting. From 2020-21, the Government Financial Reporting Manual (FReM) requires entities to provide detailed explanations of their key risks, how risks affected achievements against organisational objectives, mitigations and how residual risks may affect future plans and performance. This risk reporting applies to the delivery of COVID-19 support schemes, and the impact of the pandemic on other business operations. Fraud and error risk is covered where it is considered a material risk to the organisation by the accounting officer.

3.5 Departments are required to disclose details of material fraud, evasion and error within annual report and accounts in respect of receipts and payments recorded in the Trust Statement.

3b: PAC recommendation: BEIS should write to the Committee within 3 months setting out how they will measure fraud and error in all their COVID-19 schemes and build prompt measuring of fraud and error into their future programmes from the outset.

3.6 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

3.7 To give the Department for Business, Energy and Industrial Strategy (BEIS) more reliable estimates of the scale of fraud in the Bounce Back Loan Scheme, the British Business Bank (the Bank) and BEIS contracted Price Waterhouse Cooper in November 2020 to undertake statistical analysis of a random sample of successful loan applications. That exercise has evaluated the occurrence of fraud and the results will enable the Bank to estimate with a higher degree of confidence the level of fraud across the scheme. Work is underway to extend the sampling exercise to the Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme.

3.8 For the COVID-19 Local Authority grants programme, BEIS has been working with the Office for National Statistics, Cabinet Office and internal auditors on a post-payment assurance process. For the first three schemes, implemented in Spring/Summer 2020, over 4,000 grants have been randomly sampled and stratified by local authorities in England. Work will commence shortly to assess the level of fraud and error within this sample and provide robust estimates for England, with initial results expected by December 2021. BEIS will develop a proportionate risk-based approach for the later schemes over the next twelve months.

3.9 The department continues to work closely with HM Treasury, the Cabinet Office and the NAO on the approach to future measurement exercises taking account of materiality, risks and costs. It recognises the importance of measuring fraud and error in its programmes, but such work will be undertaken on a risk basis to ensure resource is used as effectively as possible across the whole of the department's counter fraud response.

3c: PAC recommendation: HMRC should write to the Committee within 3 months setting out how they will measure fraud and error in all their COVID-19 schemes and build prompt measuring of fraud and error into their future programmes from the outset.

3.10 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

3.11 HM Revenue and Customs (HMRC) has from the outset of the schemes actively assessed the level of error and fraud within all the COVID-19 support schemes it administers and has used these assessments as planning assumptions for its work to prevent and tackle error and fraud in the schemes. HMRC plans to publish detailed provisional assessments for each scheme in its annual report and accounts in the autumn of 2021 and has already given its planning assumptions to Parliament.

3.12 Assessing error and fraud levels in HMRC's COVID-19 support schemes is a major programme for HMRC's analysts, and the estimates inevitably have to be built up over time as more data about the accuracy of claims become available from HMRC enquiries and other sources. HMRC has taken exceptional action to assess and report error and fraud early for all COVID support schemes, using best available evidence. Traditionally, such analysis is done when full outturn data are available, at least twelve months following the liability period; for example, HMRC produces our estimates of the overall Tax Gap when full outturn data are available.

3.13 In the meantime, HMRC has put its preliminary COVID support scheme error and fraud assessments into the public domain. HMRC plans to publish a technical note setting out the methodology behind the assessments and methods, which is currently subject to NAO audit.

3.14 As policy evolved and compliance work began, HMRC used early evidence, insight and intelligence on the schemes to refine the initial error and fraud planning assumptions. These refinements have driven continuous improvements in policy and compliance work.

3d: PAC recommendation: DWP should write to the Committee with its targets for reducing fraud and error.

3.15 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

3.16 As set out in the Department for Work and Pensions' (DWP's) Annual Report published on 15 July 2021, the department is developing options for setting an overall fraud and error target and will consider how this target can be measured against the most robust and current data available. The department will write to the Committee by December 2021.

4: PAC conclusion: Departments do not make enough use of counter fraud expertise when designing new initiatives to ensure they minimise losses to the taxpayer.

4: PAC recommendation: HM Treasury and Cabinet Office should, within six months, introduce mandatory fraud impact assessments that require formal sign off from the Counter Fraud Function for all Government Major Project Portfolio programmes and for all other schemes that departments identify as having a moderate to high risk of fraud or error. A summary of these assessments should be published.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: February 2022

4.2 The Government Counter Fraud Function (GCFF) and HM Treasury agree Fraud Impact Assessments should be in place early in development for major spend initiatives, not restricted to Major Project Portfolio programmes. Guidance is being jointly developed for policy officials to increase the use of upfront Fraud Risk Assessments. The GCFF will work with the National Audit Office to design Fraud Impact Assessments, full implementation of this during 2022-23 is dependent on future funding.

4.3 A summary of major initiatives involved in this process will be published in future Fraud Landscape Reports.

4.4 The government has an agreed Standard on Fraud Risk Assessment - the first in the world. This provides a structure to assess and articulate risks of fraud and error within each spend area. The introduction of a Fraud Impact Assessment will be integrated into the Standard. Over time, Fraud Risk Assessments undertaken in government will be assessed against this standard.

4.5 In its next refresh, Managing Public Money (MPM) will be amended to make Fraud Risk Assessments mandatory for major projects. This will strengthen the accounting officer responsibilities for managing fraud risks, building on the explicit reference to government standards for Fraud Risk Assessment introduced into the MPM refresh published on 18 May 2021.

4.6 This will complement the requirement for accounting officers to complete Accounting Officer Assessments for projects and proposals in the Government Major Project Portfolio and to publish a summary of these assessments, which includes fraud risks regarded as appropriate by the accounting officer.

5: PAC conclusion: HM Treasury and Cabinet Office do not know whether departments are adequately resourced to tackle fraud and error.

5: PAC recommendation: HM Treasury and Cabinet Office should write to the Committee within three months setting out how they will work with departments to build their counter fraud capacity and ensure that each Department's resourcing is properly aligned with its risk exposure.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

5.2 The government will write to the Committee in November 2021 setting out how it will be working with departments and across the system to help build their counter fraud capacity and capability. This will involve working closely with the Government Counter Fraud Profession, who set standards for professionals, and evaluate their knowledge, skills and experience to inform our understanding of capacity specific to relevant disciplines (fraud, risk, investigation, intelligence, measurement etc.)

5.3 However, accounting officers decide whether their capacity is commensurate with their risks. Accounting officers and senior responsible owners own and manage scheme risks and as such are responsible for understanding and minimising them. They should prioritise their resources according to their risks and take decisions on the right level of capacity and control.

5.4 The Spending Review process provides departments with the opportunity to assess their individual fraud capacity and resourcing levels. Departments have the opportunity to submit bids to obtain the right counter fraud tools and resources. Bids will be subject to HM Treasury scrutiny, and HM Treasury encourages departments to work closely with the Counter Fraud Function to assess their individual capacity and capability before any bids are submitted to HM Treasury.

5.5 Following the Spending Review 2021, HM Treasury and the Counter Fraud Function will review the counter fraud capacity in departments and arms-length bodies (ALBs) and the outcomes that this delivers. This will be overseen by the Fraud Ministerial Board.

6: PAC conclusion: Gaps in transparency and information sharing between departments is hindering efforts to prevent, detect and correct fraud and error.

6a: PAC recommendation: Cabinet Office should write to the Committee within six months detailing how it has worked with departments to identify and address gaps in real time data sharing.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

6.2 The GCFF will continue to work with departments to increase the use of real time application checks to help prevent fraud where there is a good business case to do so. During the COVID-19 pandemic, additional real time data checks such as the Bank Account Validation, Active Company and Change of Director checks have been established and proved their worth. The government will continue to deliver these while exploring further expansion of real time services.

6.3 The government will write to the Committee by November 2021 highlighting the work that is being done across departments to improve the use of data and progress made and future actions on real time data sharing.

6b: PAC recommendation: HM Treasury should, within six months, set out the transparency principles it expects for government support schemes, including the presumption that the business beneficiaries of government support schemes will be published.

6.4 The government disagrees with the Committee's recommendation.

6.5 Transparency requirements have been clearly set out to businesses using the government's COVID-19 loan schemes. Details of facilities made available under the COVID-19 loan schemes have been published where required.

6.6. The government has a duty to protect the personal data and privacy of the smallest businesses in the UK, therefore the government must exercise discretion on transparency requirements in the case of some business beneficiaries.

6.7 Where required under the UK's domestic subsidy control regime, information about facilities made available under the COVID-19 loan schemes from 1 January 2021 will be reported on a new UK transparency database.

7: PAC conclusion: HMRC, DWP and BEIS are unable to justify the inconsistencies in their approaches to the consequences of fraud and error for different groups of debtors.

7a: PAC recommendation: HMRC and DWP should write to the Committee within three months setting out how they will identify and address inconsistencies of sanctions for frauds that are similar in nature.

7.1 The government disagrees with the Committee's recommendation.

7.2 The Department for Work and Pensions (DWP) feels that this is a policy matter and as such will bring the Committee's views to the attention of ministers across departments.

7.3 HMRC's and DWP's strategies are closely aligned when it comes to identifying and addressing fraud. Both departments place great emphasis on preventing fraud before it can occur, through a range of risking and insight tools. Equally, our ability to respond to fraud, and impose sanctions when appropriate, is an important part of our respective strategies.

7.4 HMRC and DWP are committed to working together and with other departments to keep our respective practices and sanctions under review and test the justification for differences in approach.

7b: PAC recommendation: BEIS should write to the Committee within three months setting out details of steps it will take to assess whether the recovery efforts of banks are reasonable, and the steps it will take to recover taxpayers' money if deficiencies are identified.

7.5 The government agrees with the Committee's recommendation.

Target implementation date: November 2021

7.6 In view of the economic disruption caused by COVID-19 pandemic, ministers decided to implement the Bounce Back Loan Scheme despite its design creating a significant risk of high levels of credit and fraud losses. Significant credit losses are likely to materialise across the schemes given the wider economic impact of the pandemic, and there will be a proportion of loans that will not be recoverable. Despite these challenges, the government has taken significant steps to safeguard public money since launch, and BEIS and the British Business Bank (the Bank) continue to work closely with UK Finance and accredited scheme lenders to implement a consistent, industry-wide approach to collection and recovery.

7.7 The Bank has mechanisms in place to ensure lenders are complying with scheme rules including in relation to recovery. KPMG and RSM UK are undertaking an independent audit and assurance programme on behalf of the Bank. Each lender audit reviews a sample of accounts, claims and processes to confirm satisfactory performance. In circumstances where a lender cannot demonstrate that these have been met, the Bank can take remedial steps including to offset guarantee claims.

7.8 The Bank is held to account by BEIS on the effectiveness of its audit and assurance programme through regular governance meetings, such as monthly and quarterly shareholder meetings, audit committee meetings (where a shareholder representative is present on behalf of BEIS), as well as monitoring performance against its annual business plan. Given the contractual relationship between the Bank and the lenders, the lender audits can only focus on lenders' activity against what is set out in the Guarantee Agreement. The audits do not cover any voluntary, additional checks that lenders are undertaking.

7.9 BEIS continues to work with the Bank, other government departments, and law enforcement colleagues on its counter-fraud enforcement activity and approach.

Tenth Report of Session 2021-22

Department for Transport

Overview of the English rail system

Introduction from the Committee

The rail system in England involves public bodies (including Network Rail), passenger operators under government contract, and private sector bodies. It is regulated by the Office of Rail and Road. The Department for Transport (the department) is responsible for setting the strategic direction for the rail system in England. The arrangements between all those involved in delivering rail services involve complex cash flows and accountabilities. The total expenditure of the rail system in 2019–20 was £17.4 billion, made up of £9.5 billion spent on operating rail passenger services, £7.1 billion spent on operating infrastructure and £0.9 billion spent on operating freight services and High Speed 1 (figures do not sum due to rounding). In 2019–20, total rail sector income was £17.1 billion, of which £5.1 billion was government funding. The remaining £12.0 billion was earned income, the majority (80%) of which was earned through passenger fares.

The disruption to national rail services following the May 2018 timetable change, and the collapse of the East Coast Rail Franchise in the same month, led the government to announce the Williams review to examine substantial concerns from across the industry around the rail system's structural organisation and the delivery of rail services. Those concerns included long-standing issues that have been prevalent in the rail system including: poor passenger service performance, reliability and value for money; fragmentation between bodies in the system and the lack of clear accountability; concerns around cost pressures and financial sustainability; and the ability of the system to respond flexibly to future challenges and opportunities.

To add to these challenges, passenger demand has not continued to increase in the way anticipated by the Department and train operators (plateauing at around 1.35 billion journeys per year since 2015–16). This has contributed to problems with the financial sustainability of those franchises whose finances are dependent on continuing to maintain revenues at levels previously anticipated. In addition, during the COVID-19 pandemic the government told the public to stay at home if they could, and without passenger fare income, government stepped in to pay rail operators to keep services running. In doing so, it took on all risks associated with running the railway. The Department now faces an extremely challenging and uncertain environment in which to implement its proposed reforms.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 13 May 2021 from the Department for Transport. The Committee published its report on 7 July 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Overview of English Rail System – Session 2021-22 (HC 1373)
- PAC report: Overview of English Rail System – Session 2021-22- (HC 170)

Government response to the Committee

1: PAC conclusion: The Department lacks a convincing and timely plan for encouraging passengers back to the railway as part of COVID-19 recovery and risks an increase in car use.

1a: PAC recommendation: The Department should write to the Committee by December setting out the actions it is taking to encourage passengers back to the railway. This should include:

- ***a plan for rail fare reform and flexible ticketing post-pandemic.***

1.1 The government agrees with the Committee's recommendations.

Target implementation date: December 2021

1.2 The government will write to the Committee in December 2021 setting out plans for rail fares reform post-pandemic by December 2021, building on the ambitions set out in the Williams-Shapps Plan for Rail. Fares reform and flexible ticketing both featured in the Plan published in May 2021. The Department for Transport (DfT or the department) has already taken action to deliver more flexible ticketing by introducing new flexible season tickets across England on 21 June 2021. The new tickets offer most 2 and 3-day-a-week commuters' savings against buying daily tickets or traditional seasons, ensuring there is a new product available to suit changed commuting patterns post-pandemic.

1b: PAC recommendation: The Department should write to the Committee by December setting out the actions it is taking to encourage passengers back to the railway. This should include:

- ***the steps it is taking to integrate across public transport to provide a joined-up transport system for passengers.***

1.3 The government agrees with the Committee's recommendations.

Target implementation date: December 2021

1.4 The government will write to the Committee in December 2021. The UK already has a well-developed and integrated public transport system. In 2019, 81% of rail users travelled to the station by public transport or active travel. In addition, DfT is delivering a new package of measures to support the return of passengers following the COVID-19 pandemic.

1.5 The government has set out in the Williams-Shapps Plan for Rail, the National Bus Strategy and the Prime Minister's long-term Walking and Cycling Plan, how it will further integrate public transport for passengers, encouraging more people to travel by rail and use public transport or active travel as part of these journeys. The government's commitments include:

- £3 billion for buses in England outside London. Railway stations will increasingly be hubs for local bus services, with full information displayed about connecting buses and greater availability of integrated ticketing between rail, light rail and bus services,
- cycling to the station and taking it on a train will be made easier. This includes £2 million funding in 2021-22 for cycling facilities at train stations and cycling routes to stations through the Cycle Rail Fund.
- in England, new partnerships with Great British Railways' (GBR's) regional divisions will give areas greater control over local ticketing, services and stations, and
- station management will be integrated within GBR to improve accountability for long-term investment in stations and identifying ways to improve connections with walking, cycling and other transport services.

1c: PAC recommendation: The Department should write to the Committee by December setting out the actions it is taking to encourage passengers back to the railway. This should include:

- ***how Network Rail is actively managing rail timetables and services to respond to emerging demand patterns.***

1.5 The government agrees with the Committee's recommendations.

Target implementation date: December 2021

1.6 The government will write to the Committee in December 2021. The number of passengers using the rail network is steadily increasing as the government's Coronavirus road map encourages more people to travel by train (at August 2021, approximately 58% of passengers compared to typical pre-COVID-19 period). However, demand is not returning uniformly. Train operating companies (TOCs) are encouraged to align efficiently passenger capacity and demand whilst maximising revenue generation potential. Operators have submitted detailed business plans for the 2021-22 financial year and high-level forecasts of activities for the following 3 years. This process is designed to allow operators to update their plans quarterly and annually and contains both immediate efficiency measures for 2021-22 and outline strategies to drive revenue and demand recovery, align services to changing demand trends and drive cross industry efficiencies.

1.7 The department set up a new Rail Revenue Recovery Group (RRRG) within Network Rail to provide expert revenue advice and develop cross industry initiatives to drive revenue recovery. RRRG is made up of Owning Group secondees who have revenue related experience, advisors and Network Rail employees.

1.8 It is not yet clear how the numbers of people travelling will be affected by Stage 4 of the COVID-19 Response road map (which was implemented from 19 July 2021) and subsequent events, such as the increase in the number of people being pinged by NHS Track and Trace for contact with someone with COVID-19. The department is working with Network Rail, the Rail Delivery Group and TOCs to understand these changes in travel patterns and to adjust services to suit conditions.

2: PAC conclusion: In recent years, we have identified serious failings in the rail system, and the Department must now overcome significant long-standing issues to bring about complex reform.

2: PAC recommendation: By December, the Department should write to the Committee setting out clear roles and responsibilities between bodies in the rail system for the delivery of reforms, and a timetable for implementing the system-wide reforms proposed in the Rail white paper.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

2.2 The government will write to the Committee in December 2021. The government has set up a Rail Transformation Programme within the department and rail industry to establish a common understanding of the vision, set out the phases of delivery and work collectively with the sector to design the transformation and implement this major programme. The Chief Executive of Network Rail, a respected leader in the sector, has been asked to develop plans for establishing interim arrangements, drawing from across the industry and beyond, including the Rail Delivery Group, government and Network Rail. There are three distinct phases to the programme with indicative deliverables:

- Phase 1 initiates the programme and supports sector mobilisation. It will comprise the design of the end state Sector Target Operating Model (STOM), which will provide organisations with the necessary parameters and guidance to undertake the organisational design required to deliver the commitments in the Williams-Shapps Plan for Rail.
- Phase 2 will focus on building operational capability and starting the realisation of programme benefits, whilst undertaking collaborative delivery of the sector target operating model. Legislation required for structural reform (2022-23) will be progressed, and the 30-year strategy, national accessibility strategy and environmental plan published. Test and learn fares initiatives and the Delay Repay 15 rollout will be launched.
- Phase 3 is the transition to business as usual operations, with a policy framework in place to execute strategic plans, a collectively transformed sector and Great British Railways fully operational from 2024 onwards. Statutory accountabilities can be transferred when legislation comes into force and end state capability will be in place. New local and regional partnerships, a long-term investment programme for accessibility and full multi-modal ticketing will be in place.

3: PAC conclusion: Published information from the Department and the Office of Rail and Road on whole-system costs and revenues is not sufficient to inform proper oversight of the rail system, given the extent of taxpayer exposure.

3a: PAC recommendation: The Department should write to the Committee by December setting out its plans to improve transparency. As a minimum these should include:

- ***the regular publication of 'whole-system' financial data, further developed to assist meaningful oversight.***

3.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

3.2 The government will write to the Committee in December 2021. The government's financial support for the railway has increased sharply since the start of the COVID-19 pandemic, and it now bears direct and immediate financial risk on most costs and revenues of train operators. As a consequence, these operators have been reclassified to the public sector in the National Accounts.3.3 In these circumstances, the government recognises the value that greater financial transparency can bring to the industry. Steps have already been taken in this direction. In July 2020, the government began publishing data on the operational support payments made to operators under the COVID-19 emergency agreements.

3.4 This material has been updated on several occasions since initial publication and extended to include data on management and performance fees payable to operators. There was no equivalent publication under the pre-COVID-19 commercial arrangements.

3.5 Initial work has already begun to develop 'whole-system' financial reporting and analysis capability, as part of the implementation of the Williams-Shapps Plan for Rail reforms. In the first instance, this information will be used within the sector to improve decision-making. Government will consider options for publishing a version of this material once complete, albeit noting that some commercial and regulatory constraints may apply. Specifically, in certain contexts the release of specific financial information may adversely affect the government's commercial position in negotiations with suppliers. Furthermore, some train operators are subsidiaries of publicly listed companies. As such, certain information about their finances may be market sensitive and thereby subject to constraints on the timing and manner of its release.

3b: PAC recommendation: The Department should write to the Committee by December setting out its plans to improve transparency. As a minimum these should include:

- ***regular reporting to Parliament on the progress and implementation of the Rail white paper.***

3.6 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

3.7 The government will write to the Committee in December 2021. The department will provide regular updates on progress and implementation of the Rail Transformation Programme to Parliament, including through the Transport Select Committee. The programme will also join the Government Major Project Portfolio (GMPP) by the end of 2021, and will report progress, quarterly, as part of standard GMPP reporting requirements; GMPP reports are publicly available on the government's website: GOV.UK.

4: PAC conclusion: It is not yet clear that the interim National Rail contracts fairly distribute risks between government and operators, or provide incentives for operators to deliver efficient, high-quality, and value-for-money passenger services.

4: PAC recommendation: The Department should set out in its Treasury Minute response the high-level terms of the new National Rail contracts, where revenue and cost risk will lie, and how it is using these to incentive improved performance, beyond the planned performance-based management fees.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2021

4.2 National Rail Contracts (NRCs) require train operators to deliver against annually-agreed business plans (ABPs) and performance targets. This allows these contracts to evolve as the industry recovers from the COVID-19 pandemic and reforms are implemented. Each year, the department will specify its objectives and negotiate updated business plans to help deliver those.

4.3 Revenue and cost risk sit with the department, subject to stringent tests of the efficiency of costs and revenue collection. Having limited financial risk allows operators to focus on operational areas within their control to drive improvements. The government will benefit from post-COVID-19 pandemic revenue recovery and cost savings from efficiency improvements. Annual budgets set caps for cost reimbursement to operators – NRCs require evidence and mitigating action before those caps can be increased.

4.4 The performance-based fee directly incentivises improved performance, with flexibility to switch from qualitative to quantified measures as circumstances permit. Fees are reduced if performance is poor; the department can require operators to develop and implement improvement plans.

4.5 ABPs will include commitments to specific activities, outputs and timescales, with operators contractually obliged to meet those commitments and the department can require remedial plans where they are not met. Where appropriate, the department can agree

‘Industry Change Projects’ with operators to further incentivise delivery of reforms that expose the operator to significant additional risk.

4.6 NRC rollout is ongoing, with three now in place (South Western, TransPenine Express and c2c). Before NRCs are agreed, a full business case is approved to ensure the contract is designed to incentivise improved performance, including Williams/Shapps Plan for Rail reforms.

5: PAC conclusion: We are disappointed at the lack of progress in agreeing a specific and funded plan for the electrification required to achieve the government’s own net zero targets

5: PAC recommendation: In its December letter to the Committee, the Department should set out how it will work with others to deliver the electrification required to meet net zero commitments over the long term, and how it plans to fund a stable programme of investment.

5.1 The government agrees with the Committee’s recommendation.

Target implementation date: December 2021

5.2 The government will write to the Committee in December 2021. In July 2021, the government published the Transport Decarbonisation Plan, which outlines how it will achieve net zero carbon emissions across all modes of transport, together with a Rail Environment Policy Statement. These documents include a commitment to deliver an ambitious, sustainable, and cost-effective programme of electrification, guided by Network Rail’s Traction Decarbonisation Network Strategy (TDNS). TDNS recommends electrifying circa 85% of the remaining unelectrified network and deploying battery and hydrogen trains on the remaining 15%.

5.3 In the three years to 2021, almost 700 track miles were electrified in England and Wales. The department will take forward new electrification schemes through the Rail Network Enhancements Pipeline (RNEP), ensuring lessons from previous schemes are learned and individual projects deliver value for money. The RNEP will continue to allow the department to use this government’s significant investment in rail infrastructure to take forward priorities such as decarbonisation. By managing that funding as a portfolio, DfT can ensure that investment is made in the schemes that will have the greatest impact.

5.4 The William-Shapps Plan for Rail promises to bring together responsibility for the whole system under a single organisation. GBR will be responsible for identifying the right technology for the right part of the network, delivering the necessary infrastructure, and commissioning the right train services, ensuring the decarbonisation target is met by 2050. DfT’s sustained electrification programme will present opportunities to develop supply chain capacity and support long-term employment opportunities.

6: PAC conclusion: It is not clear to us how Network Rail expects to achieve the remaining efficiencies planned in Control Period 6.

6: PAC recommendation: Network Rail should write to the Committee by December to set out its efficiencies plan for the remainder of Control Period 6, how exactly it plans to achieve the £3 billion of efficiencies remaining, and how the efficiencies process is governed, monitored and incentivised.

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: December 2021

6.2 Network Rail will write to the Committee in December 2021. Network Rail remain committed to delivering the committed efficiency improvements in Control Period 6, and Network Rail will continue to be held to account for doing so by the independent Office of Rail and Road. Network Rail is developing a detailed response to recommendation 6 for submission by December 2021. In this, Network Rail will further set out how it will achieve the efficiency target in Control Period 6 and address wider points raised by the Committee:

- set out improvements in approach, process, incentivisation and governance for Control Period 6 delivery;
- describe the efficiencies framework to track the movement of industry costs over time;
- provide details of efficiency targets for the remaining years of Control Period 6;
- explain the increase in the Operations, Maintenance and Renewals (OMR) efficiency target from £3.5 billion to £4 billion; and
- provide further detail on the impact of the COVID-19 pandemic.

Eleventh Report of Session 2021-22

Ministry of Housing, Communities and Local Government

Local auditor reporting on local government in England

Introduction from the Committee

In 2019-20, the 487 local authorities, local police and local fire bodies in England were responsible for approximately £100 billion of net revenue spending. Local authorities are responsible for delivering many of the public services which local taxpayers rely on every day. The Local Audit and Accountability Act 2014 (the 2014 Act) set out the local audit arrangements from 1 April 2015 that apply to local authorities. Multiple organisations play a part in the local audit system, including: the Ministry of Housing, Communities & Local Government (the Department); the National Audit Office (NAO); Public Sector Audit Appointments Ltd (PSAA); the accountancy institutes: the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute for Chartered Accountants of England and Wales (ICAEW); the Financial Reporting Council (FRC); and audit firms. The Department has oversight of local authorities and is responsible for maintaining a set of statutory codes and rules for local authorities. The NAO maintains a code of audit practice for audits of local authorities and issues guidance to auditors. PSAA is responsible for securing arrangements for the independent appointment of auditors on behalf of local authorities which opt into its services and for setting audit fees. The external auditors audit the financial statements of local authorities and conclude on whether an authority has made proper arrangements for securing value for money. The FRC monitors and reports on the quality of these audits. The Department for Business, Energy and Industrial Strategy (BEIS) will become the sponsor department for the new Auditing, Reporting and Governance Authority (ARGA), once it is established, but the Department will hold Accounting Officer responsibility for the local government role of ARGA.

Based on a report by the National Audit Office, the Committee took evidence, on 20 May 2021 from the Ministry of Housing, Communities and Local Government. The Committee published its report on 14 July 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: Timeliness of local auditor reporting on local government in England, 2020 – Session 2019-21 (HC 1243)
- PAC report: Local auditor reporting on local government in England – Session 2021-22 (HC 171)

Government response to the Committee

1: PAC conclusion: The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.

1: PAC recommendation: As a matter of urgency, the Department should write to us by September 2021 with a detailed plan and timetable for getting local audit timeliness back on track.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: by end of 2021

1.2 Timely completion of local authority audit is vital in maintaining the transparency and assurance of local authority accounts to taxpayers and supporting effective financial planning within local and central government.

1.3 As part of the government's response to the Redmond Review, the Ministry for Housing, Communities and Local Government (the department or MHCLG) has taken action to help improve the timeliness of auditor reporting, extending the publication deadline for audited local authority accounts to 30 September for two years, provided an additional £15 million to local bodies to help with the costs of audit and new burdens from the review, and committed to amend regulations to provide the appointing person (Public Sector Audit Appointments Ltd or PSAA) with greater flexibility to agree additional costs.

1.4 The department also welcome the work undertaken by the National Audit Office (NAO) and Financial Reporting Council (FRC) to update Auditor Guidance Notes 03 and 07, and guidance on going concern, to assist delivery of 2020-21 audits, and are working with stakeholders to consider whether there are other steps that could assist timely delivery.

1.5 However, it will take time to get things back on track. The department is currently consulting on broader proposals to strengthen the wider system, including to increase auditor capacity and capability. The department will write to the Committee in September 2021 with an update on plans and timetable for getting timeliness back on track, and then provide a further update on its work to address timeliness issues, as well as the other recommendations from the Committee, as part of the department's response to that consultation, later in 2021. The department has also committed to work with stakeholders and review the audit deadline following the completion of 2021-22 audits.

2: PAC conclusion: There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.

2: PAC recommendation: The Department should write to us by September 2021 explaining what contingencies it has in place should any more audit firms leave the market at the end of their contracts in 2023.

3: PAC conclusion: The commercial attractiveness to audit firms of auditing local authorities has declined.

3: PAC recommendation: The Department should ensure that PSAA's next procurement exercise, due to begin in 2021, supports a new fee regime for local government audit, which is appropriately funded, and which brings fees into line with the costs of the work.

3.1 The government agrees with both the Committee's recommendations.

Target implementation date: September 2021

3.2 The government agrees a decision by firms to withdraw from local audit could pose a risk to the future sustainability of the market. In the Spring Update, the government set out that expanding the number of firms engaged in the market should be a priority for the next procurement and reiterated that Public Sector Audit Appointments Ltd (PSAA) remain best placed to continue acting as appointing body for local audit.

3.3 The government is working closely with PSAA as it designs its procurement strategy. Given the priority attached to this, it was discussed at the inaugural meeting of the Local Audit

Liaison Committee. The PSAA has proposed an increased focus on quality in recent consultations with firms and local bodies, although ultimately prices reflect firms' bids. Additionally, the department is working with PSAA, local audit firms and other key stakeholders to consider what contingencies may be required to support the sustainability of the local audit market.

3.4 As set out above, the government has committed to amend regulations to provide the appointing person (PSAA) with greater flexibility, including to set standardised fee variations across groupings of bodies, and to amend the fee-setting deadline to allow the appointing person to take account of additional information, to make it easier to reflect additional cost pressures from new requirements.

3.5 The government will write to the Committee in September 2021, explaining the contingencies that are in place to support the procurement of the next round of audit contracts, although being mindful of not wanting to undermine PSAA's ongoing opt-in and procurement processes.

4: PAC conclusion: The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.

4: PAC recommendation: The Department should work with the FRC and the accountancy institutions to implement accelerated training and accreditation to increase the supply of qualified auditors quickly, and to build attractive career paths in local audit.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: by end of 2021

4.2 The government agrees that a ready availability of skilled and appropriately trained auditors is crucial to ensuring both the long-term sustainability of the local audit market and good quality, timely audit. As Sir Tony Redmond has noted in his review, the local audit market is currently dependent on a few big suppliers and more needs to be done to encourage other firms into the market to support long-term sustainability.

4.3 The department committed in its December 2020 response to working with the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England (ICAEW) and Wales and other stakeholders on both improving auditor training and reviewing the entry requirements for Key Audit Partners and to strike an appropriate balance between ensuring audit quality and market sustainability. The public consultation published on 28 July 2021 sets out proposals from a sector lead working group for delivering this, including to amend Key Audit Partner guidance to facilitate additional routes, as well as proposals to develop a new training offer, and the department is seeking views on whether these activities, or further action, are required to support the pipeline of future auditors, and support new entrants into the market. Alongside this, the Department for Business, Energy and Industrial Strategy (BEIS) is also considering responses to the consultation on its White Paper that includes proposals for increasing competition in the wider audit market.

4.4 The department will continue to work with FRC, ICAEW, CIPFA, PSAA, and others as the working group develops its proposals and the department considers responses to the consultation and will provide an update on this work in the broader consultation response before the end of 2021.

5: PAC conclusion: We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.

5: PAC recommendation: The Department should write to us by September 2021 and outline:

- ***how it will address the need for strong system leadership now, while ARGA is being set up and established; and***
- ***how it will work with BEIS to set up ARGA, the accountability and governance arrangements, and how its performance will be monitored and evaluated.***

5.1 The government agrees with the Committee's recommendation.

Target implementation date: by end of 2021

5.2 The government recognises the need for effective system leadership now. The department's Spring Update set out the responsibilities the Audit, Reporting and Governance Authority (ARGA) will have as system leader for local audit and the governance mechanisms which BEIS has been consulting on for the new regulator. The department committed then to a publish a public consultation on the details for Summer 2021 recess and signalled that MHCLG would assume a stronger leadership role in the interim before ARGA is established.

5.3 MHCLG has already established the Liaison Committee, a senior stakeholder forum – as recommended by Sir Tony Redmond to consider systemic issues – with MHCLG as chair while ARGA is being established. An inaugural meeting was held on 29 July 2021 to discuss the develop of the next procurement strategy, and meeting minutes will be published in due course, with a further meeting in September 2021.

5.4 The department's summer consultation reflects further work MHCLG has already conducted with BEIS and FRC on governance and delivery. It has been agreed with BEIS that MHCLG's Secretary of State will send a discrete Remit letter to ARGA and that ARGA's annual report will have a standing, distinct local audit section – the government is consulting on the scope of this. This also outlines that FRC will establish interim arrangements from April 2022 to ensure a smooth and timely implementation. Finally, NAO has been liaising with FRC on the range of activities it conducts around the Code of Local Audit to assist with planning for the transfer of the Code to ARGA as system leader.

5.5 Given views are currently being sought from stakeholders on the proposals ahead of a consultation deadline of 22 September 2021, it is proposed to provide a high-level update in September 2021 and will also consider these points as the department develops its response to that consultation later in the year.

6: PAC conclusion: Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

6: PAC recommendation: The Department should write to us by September 2021 with its detailed plans for agreeing with stakeholders ways to focus local authority accounts and audits on areas of greatest risk and concern to citizens.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

6.2 The government agrees and is clear that local accountability must be at the heart of local government financial reporting. To deliver on this work will require a collaborative effort across the local audit system. The department is currently developing a plan to deliver Sir

Tony Redmond's recommendation for each authority to prepare a standardised statement to be presented alongside the statutory accounts with the aim of providing greater transparency of financial reporting.

6.3 In its Spring Update 2021, the department also set out its intention to work with stakeholders to identify opportunities to reduce some of the accounting and audit requirements where these relate to areas of less risk to local bodies. This includes working with CIPFA to progress their project to improve the presentation of local authority accounts with the short term aims to review the statutory disclosures and materiality and the longer term review of the more complex disclosures that increase the time to prepare for- and audit in- the statement of accounts.

6.4 The Local Audit Liaison Committee that is now in place to cover the transition period until the new local audit system leader is established at ARGA and will provide a strategic steer to drive progress of the proposed changes aimed at improving the understanding and accountability of local authority reporting. MHCLG is happy to write to the Committee in September 2021 with a plan for how work will be progressed.

Treasury Minutes Archive[1]

Treasury Minutes are the government's response to reports from the Committee of Public Accounts. Treasury Minutes are Command Papers laid in Parliament.

Session 2021-22

Committee Recommendations:	69	
Recommendations agreed:	63	(91%)
Recommendations disagreed:	6	

Publication Date	PAC Reports	Ref Number
August 2021	Government response to PAC reports 1-6	CP 510
September 2021	Government response to PAC reports 8-11	CP 520

Session 2019-21

Committee Recommendations:	233	
Recommendations agreed:	208	(89%)
Recommendations disagreed:	25	

Publication Date	PAC Reports	Ref Number
July 2020	Government responses to PAC reports 1-6	CP 270
September 2020	Government responses to PAC reports 7-13	CP 291
November 2020	Government responses to PAC reports 14-17 and 19	CP 316
January 2021	Government responses to PAC reports 18, 20-24	CP 363
February 2021	Government responses to PAC reports 25-29	CP 376
February 2021	Government responses to PAC reports 30-34	CP 389
March 2021	Government responses to PAC reports 35-39	CP 409
April 2021	Government responses to PAC reports 40- 44	CP 420
May 2021	Government responses to PAC reports 45-51	CP 434
June 2021	Government responses to PAC reports 52-56	CP 456

Session 2019

Committee Recommendations:	11	
Recommendations agreed:	11	(100%)
Recommendations disagreed:	0	

Publication Date	PAC Reports	Ref Number
January 2020	Government response to PAC report [112-119] 1 and 2	CP 210

Session 2017-19

Committee Recommendations:	747	
Recommendations agreed:	675	(90%)
Recommendations disagreed:	72	(10%)

[1] List of Treasury Minutes responses for Sessions 2010-15 are annexed in the government's response to PAC Report 52

Publication Date	PAC Reports	Ref Number
December 2017	Government response to PAC report 1	Cm 9549
January 2018	Government responses to PAC reports 2 and 3	Cm 9565
March 2018	Government responses to PAC reports 4-11	Cm 9575
March 2018	Government responses to PAC reports 12-19	Cm 9596
May 2018	Government responses to PAC reports 20-30	Cm 9618
June 2018	Government responses to PAC reports 31-37	Cm 9643
July 2018	Government responses to PAC reports 38-42	Cm 9667
October 2018	Government responses to PAC reports 43-58	Cm 9702
December 2018	Government responses to PAC reports 59-63	Cm 9740
January 2019	Government responses to PAC reports 64-68	CP 18
March 2019	Government responses to PAC reports 69-71	CP 56
April 2019	Government responses to PAC reports 72-77	CP 79
May 2019	Government responses to PAC reports 78-81 and 83-85	CP 97
June 2019	Government responses to PAC reports 82, 86-92	CP 113
July 2019	Government responses to PAC reports 93-94 and 96-98	CP 151
October 2019	Government responses to PAC reports 95, 99-111	CP 176
January 2020	Government response to PAC reports 112-119 [1 and 2]	CP 210

Session 2016-17

Committee Recommendations: 393
Recommendations agreed: 356 (91%)
Recommendations disagreed: 37 (9%)

Publication Date	PAC Reports	Ref Number
November 2016	Government responses to PAC reports 1-13	Cm 9351
December 2016	Government responses to PAC reports 14-21	Cm 9389
February 2017	Government responses to PAC reports 22-25 and 28	Cm 9413
March 2017	Government responses to PAC reports 26-27 and 29-34	Cm 9429
March 2017	Government responses to PAC reports 35-41	Cm 9433
October 2017	Government responses to PAC reports 42-44 and 46-64	Cm 9505

Session 2015-16

Committee Recommendations: 262
Recommendations agreed: 225 (86%)
Recommendations disagreed: 37 (14%)

Publication Date	PAC Reports	Ref Number
December 2015	Government responses to PAC reports 1 to 3	Cm 9170
January 2016	Government responses to PAC reports 4 to 8	Cm 9190
March 2016	Government responses to PAC reports 9 to 14	Cm 9220
March 2016	Government responses to PAC reports 15-20	Cm 9237
April 2016	Government responses to PAC reports 21-26	Cm 9260
May 2016	Government responses to PAC reports 27-33	Cm 9270
July 2016	Government responses to PAC reports 34-36; 38; and 40-42	Cm 9323
November 2016	Government responses to PAC reports 37 and 39 (part 1)	Cm 9351
December 2016	Government response to PAC report 39 (part 2)	Cm 9389

Treasury Minutes Progress Reports Archive

Treasury Minutes Progress Reports provide updates on the implementation of recommendations from the Committee of Public Accounts. These reports are Command Papers laid in Parliament.

Publication Date	PAC Reports	Ref Number
May 2021	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 0 PAC reports Session 2016-17: updates on 4 PAC reports Session 2017-19: updates on 47 PAC reports Session 2019: updates on 2 PAC reports Session 2019-21: updates on 28 PAC reports	CP 424
November 2020	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 0 PAC reports Session 2016-17: updates on 7 PAC reports Session 2017-19: updates on 73 PAC reports Session 2019: updates on 2 reports	CP 313
February 2020	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 1 PAC report Session 2015-16: updates on 3 PAC reports Session 2016-17: updates on 14 PAC reports Session 2017-19: updates on 71 PAC reports	CP 221
March 2019	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 7 PAC reports Session 2016-17: updates on 22 PAC reports Session 2017-19: updates on 46 PAC reports	CP 70
July 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 4 PAC reports Session 2014-15: updates on 2 PAC reports Session 2015-16: updates on 9 PAC reports Session 2016-17: updates on 38 PAC reports Session 2017-19: updates on 17 PAC reports	Cm 9668
January 2018	Session 2010-12: updates on 2 PAC reports Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 4 PAC reports Session 2015-16: updates on 14 PAC reports Session 2016-17: updates on 52 PAC reports	Cm 9566
October 2017	Session 2010-12: updates on 3 PAC reports Session 2013-14: updates on 7 PAC reports Session 2014-15: updates on 12 PAC reports Session 2015-16: updates on 26 PAC reports Session 2016-17: updates on 39 PAC reports	Cm 9506

January 2017	Session 2010-12: updates on 1 PAC report Session 2013-14: updates on 5 PAC reports Session 2014-15: updates on 7 PAC reports Session 2015-16: updates on 18 PAC reports	Cm 9407
July 2016	Session 2010-12: updates on 6 PAC reports Session 2012-13: updates on 2 PAC reports Session 2013-14: updates on 15 PAC reports Session 2014-15: updates on 22 PAC reports Session 2015-16: updates on 6 PAC reports	Cm 9320
February 2016	Session 2010-12: updates on 8 PAC reports Session 2012-13: updates on 7 PAC reports Session 2013-14: updates on 22 PAC reports Session 2014-15: updates on 27 PAC reports	Cm 9202
March 2015	Session 2010-12: updates on 26 PAC reports Session 2012-13: updates on 17 PAC reports Session 2013-14: updates on 43 PAC reports	Cm 9034
July 2014	Session 2010-12: updates on 60 PAC reports Session 2012-13: updates on 37 PAC reports	Cm 8899
February 2013	Session 2010-12: updates on 31 PAC reports	Cm 8539

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