

SSRO

Single Source
Regulations Office

Compliance and Review Methodology 2022

Consultation

November 2022

1. Introduction

- 1.1 The SSRO's compliance and review methodology (the methodology) identifies how the SSRO exercises its function, under section 36(2) of the Act, to keep under review the extent to which persons subject to reporting requirements are complying with them. It also identifies how the ongoing review and associated findings link to the SSRO's wider functions, particularly how its duty under section 39(1) of the Act to keep under review the provision of the regulatory framework established by the Act and the Regulations may be informed by information obtained from compliance monitoring.
- 1.2 The SSRO has been operating its current methodology since April 2020. In that time, it has gained a greater understanding of how the regulatory framework is being applied and has continued to review its approach to implementing the methodology.
- 1.3 The SSRO is consulting on proposed changes to its methodology and invites stakeholder views on its proposals, together with supporting evidence where appropriate.

2. Key developments

- 2.1 Some of the key proposed developments to the methodology include:
 - that the SSRO's reviews will focus on unresolved DefCARS validation warnings when undertaking routine reviews of contract report submissions, but that supplier report submissions will still be subject to an additional review that considers the consistency of supporting information supplied alongside the DefCARS submission;
 - our desire to further develop the assessment of the quality of submissions by producing compliance management information to accompany our quality assessments;
 - that the SSRO is seeking to continue to develop the system in line with its DefCARS Future Technology Strategy;
 - that where there has been no response from the MOD within six months to any issue referred to it by the SSRO, we will close the referred issue(s) on the system and will cease to actively seek feedback from the MOD to resolve these specific issues;
 - that when undertaking a targeted or thematic review, the review period may not necessarily align with any particular financial year. The period covered by the review may more usefully span, for example, from the point a reporting requirement was introduced as a specific DefCARS update, rather than from the point the requirement was first introduced into the legislation or from the beginning of any one financial year; and
 - that the SSRO may produce either a summary or more detailed compliance report setting out its compliance work and associated finding each year, and that in some cases it may be more appropriate to provide direct individual feedback to MOD

and industry stakeholders through, for example, a presentation at the Reporting & IT sub-group, provision of findings to interested MOD contacts, or through a separate publication of the review on the SSRO's website.

- 2.2 Where changes are proposed to current methodology, Appendix 1 provides the current methodology, proposed methodology and rationale for change in tabular form.

3. Consultation

- 3.1 The consultation document has been published on the SSRO's website. The consultation period for this set of proposals is **10 November 2022 to 10 January 2023**.
- 3.2 Consultation questions are included in Appendix 2 to guide feedback, but comments are welcome on any aspects of the proposals. When responding, stakeholders are asked to indicate if they have any objections to the SSRO publishing their consultation response on the SSRO's website alongside its feedback on the changes which have been made following consultation.
- 3.3 We intend to discuss this consultation at the 30 November meeting of the Reporting and IT sub-group. If you would like to speak to us outside of Reporting and IT sub-group, please contact Carl Brazier at carl.brazier@ssro.gov.uk, or telephone 0203 314 4089.
- 3.4 Written feedback on the consultation proposals should be sent to consultations@ssro.gov.uk. There is no specified format for response.
- 3.5 We expect to publish the outcome of the consultation in March 2023.

4. Appendices

- 4.1 The following appendices are attached to this consultation paper:
- Appendix 1 – Summary of main changes
 - Appendix 2 – Consultation questions

Appendix 1 – Summary of key changes

Current wording	Proposed wording	Reason for change
<p>1.5 The statutory reports are a fundamental component of the regime, providing details of prices that can be used to support the MOD's procurement decisions and contract management to achieve value for money and fair and reasonable prices. The methodology has been prepared having regard to the SSRO Data Strategy which aims to see reported data fully utilised in support of the regulatory framework. Where data is submitted on time and of a sufficient standard to meet the purposes intended by the Act and the Regulations, this will help to ensure that:</p> <ul style="list-style-type: none"> • good value for money is obtained in government expenditure on qualifying defence contracts ('value for money'); and • that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts ('fair pricing'). 	<p>1.5 The statutory reports are a fundamental component of the regime, providing details of prices that can be used to support the MOD's procurement decisions and contract management to achieve value for money and fair and reasonable prices. The methodology has been prepared having regard to the SSRO Data Strategy and the DefCARS Future Technology Strategy. These aim to see that the SSRO's Defence Contract Analysis and Reporting System ('DefCARS' or 'the system') supports compliance with reporting requirements, facilitating data upload and the submission of good quality data and that reported data is fully utilised in support of the regulatory framework. Where data is submitted on time and of a sufficient standard to meet the purposes intended by the Act and the Regulations, this will help to ensure that:</p> <ul style="list-style-type: none"> • good value for money is obtained in government expenditure on qualifying defence contracts ('value for money'); and • that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts ('fair pricing'). 	<p>The SSRO is seeking to continue to develop the system in line with its DefCARS Future Technology Strategy and this is referred to in the paragraph.</p>
<p>New</p>	<p>2.3 The SSRO has historically assessed the quality of submissions using performance indicators that are based on a 'pass or fail' assessment, so a single error in a report will result in a fail assessment, which in the case of a reporting matter impacts the quality rating for that submission. This assessment approach will continue, but in addition the SSRO will develop and publish management information to accompany its quality assessments.</p>	<p>New paragraph reflects our desire to further develop the assessment of the quality of submissions by producing additional management information to compliment the current binary quality indicator.</p> <p>[consequential changes to paragraph numbers in this section following this addition from extant methodology]</p>

Current wording	Proposed wording	Reason for change
<p>3.2 Where reasonable, the SSRO will rely on automatic checking within DefCARS to carry out the primary review of report submissions. The system has been developed to carry out a range of automatic validation checks at the point of report submission, providing information on whether reporting requirements are being met. Automatic validation checking has the additional benefit of assisting users to make good quality submissions, because validation warnings are flagged prior to final submission and there is an opportunity for the contractor to address any issues raised. The SSRO will keep the set of validation warnings under review to ensure they target reporting requirements in a proportionate way. Consideration will be given to the extent to which issues continue to be raised on report submissions that are not linked to validation warnings. The SSRO has published a list of the validation warnings to inform stakeholders and proposes to continue this practice.</p>	<p>3.2 The SSRO will rely primarily on automatic checking within DefCARS to carry out reviews of report submissions. The system has been developed to carry out a range of automatic validation checks at the point of report submission, providing information on whether reporting requirements are being met. Automatic validation checking has the additional benefit of assisting users to make good quality submissions, because validation warnings are flagged prior to final submission and there is an opportunity for the contractor to address any issues raised. The SSRO will keep the set of validation warnings under review to ensure they target reporting requirements in a proportionate way. Consideration will be given to the extent to which issues continue to be raised on report submissions that are not linked to validation warnings. The SSRO publishes the list of validation warnings to inform stakeholders and proposes to continue this practice.</p>	<p>Confirmation that the SSRO's reviews will focus on unresolved DefCARS validation warnings when undertaking routine reviews of contract report submissions, but that supplier report submissions will still be subject to an additional review that considers the consistency of supporting information supplied alongside the DefCARS submission.</p>
<p>3.3 The SSRO will carry out manual reviews of reports after they have been submitted. This will generally involve a limited, risk-based review of the report, relying on the available information, including consideration of:</p> <ul style="list-style-type: none"> • unresolved validation warnings, excluding any matters that are not material, such as obvious rounding differences; • issues raised on the submission by the MOD and any response from the contractor; and • inconsistencies between the submitted report and the supporting information. 	<p>3.3 The SSRO will carry out manual reviews of reports after they have been submitted. This will generally involve a limited, risk-based review of the report, relying on the available information, including consideration of:</p> <ul style="list-style-type: none"> • unresolved validation warnings, excluding any matters that are not material, such as obvious rounding differences; and • issues raised on the submission by the MOD and any response from the contractor. 	
<p>3.4 The SSRO's manual review may consider potential issues that exist despite having passed the validation check and will involve consideration of whether changes need to be made to its set of automatic validation checks.</p>	<p>3.4 The SSRO's manual review of supplier reports may additionally consider:</p> <ul style="list-style-type: none"> • inconsistencies between the submission and the supporting information; and • potential issues that exist despite having passed the validation check and will involve consideration of whether changes need to be made to its current set of automatic validation checks. 	

Current wording	Proposed wording	Reason for change
<p>3.6 The SSRO may raise an issue with a contractor to inform its understanding of the extent to which reporting requirements are being met. The SSRO will generally raise an issue with a contractor if it appears that a report:</p> <ul style="list-style-type: none"> • has not been delivered within the legislative timeframes; or • appears to be incomplete, inconsistent, erroneous or lacking in detail, having regard to the reporting requirements. 	<p>3.6 The SSRO may raise an issue with a contractor to inform its understanding of the extent to which reporting requirements are being met. The SSRO will generally raise an issue with a contractor if it appears that a report appears to be incomplete, inconsistent, erroneous or lacking in detail, having regard to the reporting requirements.</p>	<p>Deletion of the first bullet as the SSRO no longer raises an issue within DefCARS to the contractor if it appears that the report was submitted after the report due date.</p>
<p>3.12 We will count the submission as a 'pass or fail' of an entire submission once made, regardless of the number of errors that may be apparent in the initial submission. We will report these indicators as a twelve-month rolling average proportion of report submissions.</p>	<p>3.12 We will count the submission as a 'pass or fail' of an entire submission once made, regardless of the number of errors that may be apparent in the initial submission, but in addition the SSRO will develop and publish management information to allow stakeholders to understand the range and quantum of issues identified within submissions. We will report these indicators as a twelve-month average as a proportion of report submissions.</p>	<p>Paragraph reflects our desire to further develop the assessment of the quality of submissions by producing additional management information to compliment the current binary quality indicator. Calculations to be based on a twelve-month average rather than a rolling average.</p>
<p>4.2 The aim of such additional reviews is to enhance the SSRO's understanding of the extent to which reporting requirements are being met. A targeted or thematic review may provide insight into the effectiveness of automatic and routine compliance reviews, and how the provisions of the regulatory framework are being applied in practice. The SSRO may proactively target areas where issues have historically been identified, or which have not been the focus of previous reviews.</p>	<p>4.2 The aim of such additional reviews is to enhance the SSRO's understanding of the extent to which reporting requirements are being met. A targeted or thematic review may provide insight into the effectiveness of automatic and routine compliance reviews, and how the provisions of the regulatory framework are being applied in practice. The SSRO may proactively target areas where issues have historically been identified, or which have not been the focus of previous reviews. When undertaking a targeted or thematic review, the review period may not necessarily align with any particular financial year. The period covered by the review may more usefully span, for example, from the point a reporting requirement was introduced as a specific DefCARS update, rather than from the point the requirement was first introduced into the legislation or from the beginning of any one financial year.</p>	<p>New addition confirming that when undertaking a targeted or thematic review, the review period may not necessarily align with any particular financial year.</p>

Current wording	Proposed wording	Reason for change
<p>4.3 The SSRO will carry out focused engagement with stakeholders, as necessary, to complete a review. This may include discussing the processes that a contractor has in place to meet reporting requirements. The SSRO will make contact with relevant stakeholders at the earliest opportunity to enable reasonable timescales for review and feedback. The SSRO will aim to provide constructive feedback on its reviews and report its findings as appropriate.</p>	<p>4.3 The SSRO will carry out focused engagement with stakeholders, as necessary, to complete a review. This may include discussing the processes that a contractor has in place to meet reporting requirements, or the processes that the MOD has in place for undertaking its own reviews of submissions. The SSRO will make contact with relevant stakeholders at the earliest opportunity to enable reasonable timescales for review and feedback. The SSRO will aim to provide constructive feedback on its reviews and report its findings as appropriate.</p>	<p>New addition confirming that the Targeted Review process also considers the processes that the MOD has in place for reviewing submissions.</p>
<p>6.3 Where an expected contract report or overhead report is not submitted, the SSRO will attempt to contact the contractor or the designated person within five working days of the expected submission date and notify the MOD of the delay at the same time. Where the delay relates to the submission of the strategic reports, the SSRO will seek to contact the designated person due to make the submission if known and will then inform the MOD. The SSRO will monitor the status of outstanding submissions and provide an update to the MOD at regular intervals.</p>	<p>6.3 DefCARS automatically notifies contractors of forthcoming contract¹ report submission due dates (excluding the initial reports), by reference to a submitted Contract Reporting Plan, and any overdue submissions via an email notification. Where a contractor informs us of the reason for a submission delay the SSRO will record this information. Where the SSRO is aware of an outstanding supplier report, the SSRO may attempt to contact the contractor or designated person about the submission directly. The SSRO will monitor the status of outstanding submissions and provide an update to the MOD at regular intervals.</p>	<p>The SSRO no longer routinely contacts the contractor to progress late contract report submissions. The system will be developed to send automated email notification to remind contractors of forthcoming report submission due date and any overdue submissions.</p>
<p>New</p>	<p>6.8 Where there has been no response from the MOD within six months to any issue referred to it by the SSRO, we will close the referred issue(s) on the system for that submission and mark it as impacting the overall quality of the report. We will cease to actively follow up on these issues and will not continue to chase a response or raise repeat issues on subsequent reports for the same issue(s). We will maintain management information on the number of SSRO issues that are closed after six months where there has been no response from the MOD.</p>	<p>Clarification that a lack of response to issues referred to the MOD by the SSRO will result in the issue being closed on the system with no further follow up.</p>

¹ As required by Part 5 of the Single Source Contract Regulation 14

Current wording	Proposed wording	Reason for change
<p>8.2 The SSRO will detail the findings from its compliance work in a Compliance Report, which will consider the performance indicators on timeliness and quality of report submissions, supplemented with further analysis as appropriate. The Compliance Report will set out a factual commentary on the data, highlighting emerging themes and areas where changes or improvements are required.</p>	<p>8.2 The SSRO will regularly summarise the findings from its compliance work in a Compliance Report, which will consider the performance indicators on timeliness and quality of report submissions. In any one year, the report may be supplemented with further analysis, including summaries of our targeted and thematic reviews, a factual commentary on the data, emerging themes and areas where changes or improvements are required and recommendations for action, as appropriate.</p>	<p>The SSRO will consider whether to publish a detailed or summary version of the compliance report each year.</p>
<p>New</p>	<p>8.5 It may, alternatively, be more appropriate to provide direct feedback to the MOD and industry stakeholders. This may be through, for example, a presentation at the Reporting & IT subgroup, provision of findings to interested MOD contacts, or through a separate publication of the review on the SSRO's website.</p>	<p>Confirmation that the SSRO will consider whether it is appropriate to provide additional compliance management information directly to stakeholders.</p>

Appendix 2 – Summary of consultation questions

1. Does the methodology clearly demonstrate how the SSRO will exercise its s36(2) function and how its s39(1) function may be informed through our work in this area?
2. Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?
3. Do you agree that the SSRO should seek to develop the quality assessment of submissions or do you have any alternative suggestions as to how this should be progressed?
4. Do you agree that following a lack of response from the MOD to issues referred to it by the SSRO should result in the issue being closed on the system with no further follow up?
5. Are there any other elements of support or engagement that should be reflected in the methodology?