

SSRO

Single Source
Regulations Office

Compliance and Review Methodology

Consultation response document

March 2023

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1. Introduction

- 1.1 The SSRO conducted a public consultation on an update to its Compliance and review methodology (the 'methodology') from 10 November 2022 to 10 January 2023. The consultation document was circulated widely and published on the SSRO's website, as well as being discussed with members of the Reporting and IT sub-group on 30 November 2022.
- 1.2 We would like to thank respondents for sharing their views on the methodology, all of which have been taken into account.
- 1.3 We have summarised both the key comments raised by respondents and the SSRO's responses to these comments in this document. Where changes have been made to the proposed methodology, Appendix 1 details those changes.
- 1.4 We have published six of the seven consultation responses, where we have been given permission to do so, as part of this response document at Appendix 2. The final version of the methodology is also published and will take effect from 1 April 2023.

2. The consultation process

Process

- 2.1 The SSRO sought feedback from stakeholders on its updated methodology through a public consultation on its website. The consultation commenced on 10 November 2022 and closed on 10 January 2023, a period of just over eight weeks. The consultation was also publicised by the SSRO via emails to members of the Operational Working Group (OWG) and the Reporting and IT sub-group on 11 November 2022, along with a reminder to these stakeholders on 3 January 2023. During the consultation period, the SSRO discussed and sought early feedback from the Reporting and IT sub-group at its meeting on 30 November.
- 2.2 The consultation set out the proposed updated methodology, alongside the SSRO's reasons for making changes. It focused on the SSRO's review obligations under sections 36(2) and 39(1) of the Defence Reform Act 2014 (the Act) and also on how, having gathered intelligence and insight on the operation of the regime, we have continued to develop our approach to implementing the extant methodology that was published in 2020.
- 2.3 Consultees were asked to respond to a total of five consultation questions, which are considered in detail in the sections below. The responses gave the SSRO an understanding of views on the proposed methodology, suggested alternative wording to some paragraphs, proposed alternative approaches for the SSRO to consider and raised questions about management information (MI) that could be made available to stakeholders. We have grouped the comments received into key issues by each question and responded to them in this document.

- 2.4 Any changes made to the final version of the methodology following consideration of stakeholder comments are detailed in the sections below. We have taken this opportunity to also make some other minor amendments to clarify aspects of the document.

Breakdown of responses

- 2.5 We are grateful to all those who responded to the consultation. We received a total of seven responses to the consultation as set out in Table 1:

Table 1: Number of consultation responses

	Government	Industry	Trade Association
Number of responses	1	5	1

- 2.6 Four of the seven consultation responses are published in full on our website alongside this document. Two other consultation responses are published in an anonymised format. One of the seven respondents asked that their response not be published, either in full or in an anonymised format.
- 2.7 Respondents other than the MOD and the Defence Single Source Advisory Group ('DSAG') are not identified in the main body of this document.

3. Issues raised by respondents to specific consultation questions

- 3.1 The key comments raised in the responses are detailed below, grouped by each question, alongside the SSRO's response. Appendix 1 contains all the SSRO's changes to the proposed methodology having considered respondent comments.
- 3.2 In some cases, respondent comments were made as part of a general statement on our compliance work or comments made in relation to one question were made under a different question heading. Where appropriate, respondent comments have been consolidated and have been addressed under the relevant question heading. Any other general comments relating to our compliance work are addressed later in this document.

Question 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?

- 3.3 Six of the seven respondents agreed that the methodology is clear and concise in the way that we will exercise our s36(2) function and how our s39(1) function may be informed by our compliance work. One industry respondent did not answer this question.

The SSRO's response

- 3.4 The demonstration of how we will exercise our s36(2) function and how our s39(1) function may be informed through our compliance work was considered to be appropriate and understood by respondents. There have been no changes to the proposed methodology as a result of the responses to this specific question.

Question 2: Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

- 3.5 Six of the seven respondents agreed that our approach to our compliance activities was clear from the methodology. One industry respondent did not answer this question. There were two observations raised relevant to the clarity of our approach to our compliance activities:
- One industry respondent stated that [the validation rules within] DefCARS should not be relied upon entirely for contract report reviews and that it was necessary for a manual review to also be undertaken. This respondent noted that an automated procedure may recognise that all required fields have been completed, but cannot measure the accuracy of a submission (other than for reconciliation of total numbers) and nor is it able to take a view on the content in each field; and
 - DSAG suggested that sentence one of paragraph 3.2 of the proposed methodology should be updated to note that it applies primarily to contract report submissions and that sentence one of paragraph 3.3 of the proposed methodology should be updated to note that it applies primarily to supplier report submissions.

The SSRO's response

- 3.6 The methodology sets out the general approach that the SSRO will follow in reviewing report submissions made by contractors, along with a commitment to rely on system automation as much as possible. This approach links to the vision set out in our Data Strategy and our DefCARS Future Technology Strategy for further automation. This is particularly important as the number of contracts in the regime and the number of submissions in the system continue to increase, necessitating the SSRO's reliance on the automated checks.
- 3.7 We consider the completeness and consistency of submissions as part of our reviews but rely upon the MOD, as party to the contract, to assess the accuracy of submissions. Where submissions are reviewed on the system by the MOD, specific issues are often highlighted that cannot be identified through the SSRO's routine reviews. This is because the MOD holds contract details that the SSRO does not have access to.
- 3.8 The SSRO will continue to undertake manual reviews of a small number of contract report submissions, alongside the routine reviews undertaken, as part of our work on Targeted and Thematic reviews (set out in Section 4 of the methodology 'additional compliance monitoring activities'). The aim of these reviews is to enhance our understanding of the extent to which reporting requirements are being met. No change has been made to the final methodology as a result of the comment that it is necessary for a manual review of submissions to also be undertaken.

3.9 We agree with the DSAG comment that it would be clearer for stakeholders if paragraph 3.2 was updated, primarily with elements from the extant paragraph 3.3, to refer to the SSRO relying on the automatic validation checks within the system when carrying out its manual review of contract reports. As a result of this change, paragraph 3.3 has been deleted. Paragraph 3.4 [consequentially renumbered as 3.3] already considers any potential additional manual review steps for supplier reports and so no further changes have been made.

Question 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?

3.10 All seven respondents agreed that the SSRO should seek to develop its quality assessment process for submissions. Five of the seven respondents, including the MOD and DSAG, stated that the pass or fail approach applied by the SSRO was too simplistic, restrictive, or could lead to users of the statistics forming a misleading assessment of the extent to which contractors are fulfilling their obligations under the legislation. Respondents asserted that this may then lead to incorrect conclusions on the quality or usefulness of those submissions. There were two observations raised in relation to the quality assessment process:

- Five of the seven respondents, including the MOD and DSAG, suggested that providing a way to distinguish between types of issues would be beneficial. This would be in order to understand the nature of the issues for the purposes of assessing which matters 'affect' the information shown in submissions. Issues that were 'simple administrative errors' were identified by respondents as matters that would not substantially impact the information provided. DSAG suggested that a gradient assessment might be better at showing the difference between minor errors versus the more substantive errors which affect the overall data integrity; and
- Two industry respondents considered that additional MI, such as themes of issues, or the number of queries, arising alongside their 'nature' would be helpful. One of these respondents stated that they had experienced issues and questions raised '*usually by the MOD*' which were due to a lack of knowledge, expertise and understanding of the general content of a report. One industry respondent and DSAG stated that an improved understanding of the quality of the information within the reports would be useful, but queried what MI the SSRO may develop and publish and questioned with whom this would be shared. One other industry respondent questioned what the benefit would be of the SSRO generating greater MI in this way.

The SSRO's response

3.11 The SSRO's current performance indicator is based on a 'pass or fail' assessment of a report submission and in our consultation we stated that this approach will continue, but in addition we will develop and publish management information to accompany the quality assessment.

- 3.12 We consider whether reports are ‘right first time’, whether subsequent submissions are correct, and the number and type of issues raised in each report. This approach has allowed us, and continues to allow us, to provide a broad assessment of the quality of submissions, acknowledging the fact that a single error in any part of a submission would lead to a ‘fail’ assessment in relation to the KPI we monitor this against. This may be the case even though the remainder of the data within the submission is of good quality and useful to recipients.
- 3.13 In our latest compliance report¹, we detailed that a total of 68 per cent of contract reports and 49 per cent of supplier reports were submitted with no issues raised by the SSRO or the MOD during 2021/22. This analysis noted that just over 50 per cent of contract and supplier reports had been accessed by the MOD and around 26 per cent of contract reports were being reviewed by the MOD and so, when the number of MOD reviews increases, there may well be a downward impact on the analysis of the quality of submission as more issues are identified by the MOD. When considering the subsequent resolution of issues raised, the quality of the submissions increased considerably for contract reports to 93 per cent and for supplier reports to 75 per cent. A high proportion of issues raised in reports related to contractors incorrectly reporting basic information and there being inconsistencies within the reports, many of which would have been identified by the existing validation warnings within the system and could have been resolved prior to initial submission. This demonstrates that there remains a need for greater attention from contractors to remove these errors from initial submissions and we consider it is important to continue to consider whether reports are submitted ‘right first time’.
- 3.14 We agree that, if considered in isolation, this could lead to an imperfect interpretation by stakeholders of the extent to which contractors are fulfilling their obligations under the legislation. We will therefore more clearly and additionally report on the quantum of issues arising per report submission to give a more balanced view of the overall quality of submissions. We have updated the wording in paragraph 3.12 [consequentially renumbered 3.11] to reflect this.
- 3.15 Our previous compliance reports have set out an analysis of the themes of issues raised by the SSRO and the MOD following review of contract and supplier reports. Where applicable, we also set out the actions that had already been taken or needed to be taken by the SSRO, the MOD or by industry to prevent reoccurrence of similar issues in the future. We believe this has provided stakeholders with an understanding of the nature of issues arising across a range of submissions. In the last two years, we have provided additional MI at individual contract and business unit level to the ‘top ten’ companies identified by reference to the number of contract and supplier report submissions made. Recipients of this MI have confirmed that this information has been useful to help them to centrally manage submissions, ensure outstanding issues are responded to by relevant teams, and also to highlight common themes of which they ought to be mindful when undertaking internal training.

¹ [Annual Compliance Report, November 2022](#)

- 3.16 Our compliance approach to date has not, other than to identify themes of issues, been to distinguish between issues that are 'simple administrative errors' and those 'that impact the information provided'. This is because all of the information to be reported has a statutory basis and, under our section 36(2) responsibility, we must keep under review the extent to which contractors are meeting their reporting obligations.
- 3.17 We do not intend to update this approach immediately. We will, however, facilitate better use of data by responding to demand within the MOD and developing specific MI as part of our work on 'Data Utilisation'. This work will involve the SSRO engaging directly with selected MOD Operating Centres and Delivery Organisations to identify their needs and deliver the data and insight that decision makers need to support procurement decisions and contract management. Through this work we will be able to identify the impact that compliance issues have on the utility, and therefore the quality, of the data and will be able to report separately on that in due course as part of our work on data utilisation.
- 3.18 We will continue to provide more detailed MI at individual contract and business unit level to the 'top ten' companies by reference to the number of contract and supplier report submissions made, but intend to do this on a more regular basis and will also provide this information beyond the 'top ten' on request. We will not publish this detailed MI. We have updated the wording in paragraph 3.12 [consequentially renumbered 3.11] to reflect this.

Question 4: Do you agree that 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?

- 3.19 Five of the seven respondents, including the MOD and DSAG, agreed that issues raised by the SSRO and forwarded to the MOD should not be left open indefinitely on the system and should be closed down. One industry respondent disagreed with this approach and stated that the MOD '*should not be setting policy and regulations if they are not going to adhere to the rules themselves*'. One other industry respondent did not answer this question. There were two comments raised in relation to the SSRO closing issues it had referred to the MOD on the system after a lack of response:
- One industry respondent stated that this was sometimes due to resource constraints at the MOD and that this factor should be acknowledged; and
 - The MOD acknowledged that matters referred to it by the SSRO should be dealt with on the system and stated that it will '*review its own processes and work with the SSRO to re-examine how SSRO issues raised in DefCARS are handled, and responses provided to the SSRO*'.

The SSRO's response

- 3.20 The SSRO seeks to understand, as a matter of course, why reporting or pricing issues arise. Where these matters are not, or cannot be, resolved through engagement with the contractor alone then issues may be forwarded to the MOD on the system for comment or resolution. In cases where the regulations do not allow flexibility in reporting or pricing or where the complexity of the issue is evident, these are the types of issues that may need to be considered when making recommendations for legislative change or ought to be considered as part of our work on reviewing reporting requirements. Having an understanding of the MOD's view on such issues is invaluable to this consideration.
- 3.21 There is a natural limit beyond which it becomes impractical or unhelpful to leave unresolved issues on the system, be this as a result of inaction, staffing issues, or for any other reason. We note that the MOD has committed to reviewing its own processes in this area and we will work with officials to understand when responses on the system may be more forthcoming. We will also look to consider how the MOD may resolve any other longstanding issues that MOD operating centres and delivery organisations have raised within the system but have not been subsequently closed. No change has been made to the final methodology as a result of these responses.

Question 5: Are there any other elements of support or engagement that should be reflected in the methodology?

- 3.22 Three respondents, including DSAG and the MOD, commented on the annual compliance report and these comments are considered later in this document. One industry respondent did not consider that there were other elements to be reflected in the methodology. One other industry respondent did not answer this question. There were two comments relevant to other elements of support or engagement:
- One industry respondent queried whether the automatic system email notifications could be developed further to make clear to whom the emails had been distributed and whether it would be possible to easily view all their DefCARS users allocated to each contract; and
 - One industry respondent stated that it would be useful to enhance the DefCARS training that is provided to include specifics on all the reports and the type of data or variance that is included. They also suggested that the provision of dummy reports as examples within the guidance would be helpful.

The SSRO's response

- 3.23 The SSRO welcomes the suggestions for system developments and maintains a log of such matters, which are considered on a priority and resource availability basis. The suggestions to develop the email notifications from the system and to be able to view users allocated to each contract have been logged by the SSRO for future consideration.
- 3.24 The SSRO provides support to the MOD and defence contractors in relation to the regulatory framework. SSRO Support is designed to:
- inform people about the regulatory framework, the role of the SSRO and aspects of its work, such as guidance, compliance reviews and referrals;

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- assist contractors to submit reports required under the regulatory framework and apply the SSRO's guidance; and
 - help the MOD and contractors to use DefCARS.

3.25 The SSRO uses pre-populated example reports as part of its onboarding and training and there is scope to develop these further. We are currently consulting on DefCARS enabling changes and we will ensure that examples evolve to take account of changes to the system. We will consider the suggestions for development to our training approach as part of our ongoing review of the SSRO Support function and development of DefCARS. No change has been made to the proposed methodology as a result of these responses.

4. Other general comments linked to the SSRO's compliance work

- 4.1 One industry respondent commented that the consultation document itself was very clear and that the summary of key changes included a helpful rationale for those changes. Respondents made a number of other comments linked to our compliance activities. These are considered in Table 2 together with the changes to the proposed methodology, if applicable.

Table 2: Other comments linked to our compliance activities

Comment	SSRO response	Impact on methodology
<p>Two of the seven respondents, including DSAG, stated that the annual compliance report is very useful and that its continuation would be appreciated, including it continuing to be publicly issued and shared with all stakeholders. These respondents, however, stated that they did not consider section 13(2)(a) of the Defence Reform Act (the Act) was being complied with. They asserted that there was no comment from the MOD users as to how useful those reviews were, or why the reports are not used, and what alternative reports were being used. They suggested that a VFM assessment is made, engaging with MOD users and contractors to determine who requires what report, when, and with what frequency.</p>	<p>The SSRO intends to continue to produce a compliance report focusing on the timeliness and quality indicators set out in the methodology and it is encouraging to see that stakeholders find the report useful.</p> <p>Section 13(2) of the Act provides that “In carrying out its functions...the SSRO must aim to ensure—</p> <p>(a) that good value for money is obtained in government expenditure on qualifying defence contracts, and</p> <p>(b) that persons (other than the Secretary of State) who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.”</p> <p>The SSRO's purpose is to deliver its statutory functions, which support the operation of the regulatory framework. In doing so we aim to ensure that good value for money is obtained in government expenditure on qualifying defence contracts, and that contractors are paid a fair and reasonable price under those contracts. Our statutory functions include:</p> <ul style="list-style-type: none"> • Keeping an up-to-date record of qualifying contracts and receiving statutory reports from defence contractors under the regulatory framework; 	<p>N/A</p>

Comment	SSRO response	Impact on methodology
	<ul style="list-style-type: none"> • Recommending the appropriate baseline profit rate, capital servicing rates and SSRO funding adjustment for use in calculating contract profit rates; • Publishing guidance on Allowable Costs, Contract Profit Rate steps, Reporting and Penalties; • Keeping the operation of the regulatory framework under review and making recommendations for changes to the Secretary of State; • Giving opinions and making determinations on matters referred to the SSRO concerning the regulatory framework; • Analysing reported data on request for the Secretary of State; and • Keeping under review the extent to which reporting requirements are being complied with. <p>The regulatory framework introduced by Part 2 of the Act requires transparency by contractors, establishing a set of standardised statutory reports. The data accumulated in the statutory reports is intended to improve independent estimating for budgeting and challenges to contractor costs. The framework requires transparency on the part of defence contractors regarding prices and strategic matters such as their capacity to continue to meet the MOD's requirements.</p> <p>Timely, good quality submissions are essential to achieving the legislative intent. The SSRO does not determine what the reporting requirements are, as these are set by legislation, but it does consider and publish information on the reporting requirements. Additionally, our ongoing work in reviewing the legislation and making recommendations for legislative change consider the transparency arrangements within the regime.</p>	

Comment	SSRO response	Impact on methodology
	<p>We considered that data may well have significant value to the MOD, even if it is not yet being used, and we recommended caution before taking action to remove reporting requirements. There is, however, evidence of MOD use of the submissions as noted in our last published compliance report where we noted that the MOD has accessed just over 50 per cent of 2021/22 contract and supplier report submissions in DefCARS and has subsequently reviewed 26 per cent of contract reports and 5 per cent of supplier reports in the system.</p> <p>The compliance methodology sets out how we identify whether reporting requirements are being met; the process we undertake to understand the issues contractors face in meeting these requirements; and how we go about reporting on the findings. This in turn helps ensure data is submitted on time and accurately, and provides stakeholders with information about reporting requirements, which ultimately drives value for money and fair and reasonable prices. No change to the methodology has been made as a result of this comment.</p>	
<p>Two of the seven respondents, including DSAG, stated that there needed to be further clarity in the methodology with respect to paragraph 2.9 (referring to the part of the methodology that specifies the circumstances in which the SSRO will refer issues to the MOD in relation to individual reports so that it is aware and can take appropriate action) and sections 6 and 7 of the methodology.</p>	<p>Paragraph 2.9 acts as an introduction to sections 6 (raising issues with the MOD) and 7 (supporting compliance and improving the regime) of the methodology. This is consistent with the paragraphs in section 2 and no change has been made to the final methodology as a result of this comment.</p>	N/A

Comment	SSRO response	Impact on methodology
<p>DSAG asserted that comparability of data should only be at a contract level and not between contracts.</p>	<p>The methodology aims to contribute to achieving good quality data from contractors. As set out in the SSRO Data Strategy, data that is relevant, comparable and reliable can be utilised in procurement decisions, contract management and in the development of the regulatory framework. The reports have been designed to enable the MOD, over time, to compare the costs of comparable projects, allowing the Department to improve its independent estimates in both budgeting and in challenging contractor cost estimates. Comparable projects may be across contracts. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>
<p>DSAG suggested that data being accurate when submitted can only mean what is recorded at the time and that there may well be post reporting adjustments to be made, particularly at year end, and that these should not be recorded as inaccurate data or captured under a pass or fail assessment.</p>	<p>The legislation sets out the relevant reporting timescales for individual reports. In the case of a Contract Pricing Statement (CPS), for example, contractors must provide the submissions within one month of the initial reporting date (the date the contract was 'entered into' or, for a QDC by amendment, the date of the amendment). The SSRO's reporting guidance provides the details of each individual submission.</p> <p>Our compliance methodology states that we rely upon the MOD considering whether report submissions are accurate at the point of submission and consistent with the qualifying contract. Information submitted by contractors should be of good quality as at these reporting dates, and our data strategy defines good quality data as being relevant, comparable and reliable. Data will be reliable if it is accurate when submitted, complete and within valid ranges. Any adjustments made later can be captured in subsequent reports such as future QCRs, or in on-demand report submissions. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>

Comment	SSRO response	Impact on methodology
<p>DSAG commented that SSRO references to 'enforcement action by the MOD' should read 'initiation of the statutory compliance regime'.</p>	<p>We accept that the reference to 'enforcement action' should be clarified, particularly as the responsibility for initiation of the statutory compliance regime and the issue of any compliance or penalty notices is with the MOD.</p>	<p>We have updated paragraphs 2.8 and 6.1 of the methodology to make clear that 'enforcement action' means the issue of compliance or penalty notices by the MOD, including any subsequent enforcement action.</p>
<p>DSAG commented that the additional compliance monitoring activities set out by the SSRO in section 4 may exceed the SSRO's rights of access to information and the contractor may be entitled to deny access or not respond, or to provide information only through MOD.</p>	<p>The additional compliance activities set out in section 4 are primarily based on the information submitted under the legislation, but we agree that stakeholder support may be necessary for us to complete such reviews in specific cases. We will make clear that such activities will only be undertaken with stakeholder support if information beyond that contained in DefCARS is required.</p>	<p>We have updated paragraph 4.3 to make clear that these additional compliance activities can only be successfully undertaken with stakeholder support.</p>

Comment	SSRO response	Impact on methodology
<p>DSAG commented that ‘any possible non-compliance’ referred to in paragraph 6.5 should refer to s31(3)(a) (ii), (b) or (c), which relate to grounds for issuing a compliance notice in relation to reporting. DSAG and an industry respondent also stated that aspects of [paragraph] 6.4 would seem to go beyond compliance.</p>	<p>The SSRO’s 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.</p> <p>Where a matter is identified to be ‘forwarded to the MOD’, this may be in relation to reporting matters or other possible non-compliance with the requirements of the regulatory framework. In some instances, the SSRO’s review of a submitted report will raise an issue as to whether the pricing requirements of the regulatory framework have been met. For example, the reported calculation of the contract profit rate may appear not to follow the six steps required by section 17 of the Act and regulation 11. In such cases, an issue may be raised by the SSRO to inform its understanding of how the provision of the Act and the Regulations is operating, in line with its duty under section 39(1) of the Act to keep under review the provision of Part 2 of the Act and the Regulations. No change has been made to the final methodology as a result of these comments.</p>	<p>N/A</p>
<p>DSAG commented that paragraphs 8.4 and 8.5 should be merged to make clear that the SSRO will provide regular feedback to both the MOD and to industry.</p>	<p>We agree that paragraphs 8.4 and 8.5 could be merged.</p>	<p>Paragraph 8.5 merged with paragraph 8.4 to make clear that the SSRO will provide regular feedback to both the MOD and to industry.</p>

Comment	SSRO response	Impact on methodology
<p>One industry respondent queried whether the MOD was reviewing submissions within 15 working days, as in their experience MOD reviews were taking considerably longer. One other industry respondent stated that issues were sometimes raised on closure reports more than a year after submission, by which time employees had moved onto other programmes or even left the company since their projects had come to an end.</p>	<p>As stated in its commercial toolkit, the MOD seeks to adopt a consistent policy with respect to the collection and review of data on qualifying contracts. Chapter 5 of the toolkit makes clear that the MOD must review QDC reports submitted on DefCARS within 15 working days of their submission. The SSRO raises awareness of the 15 days through onboarding and training. We also provide the MOD with data on the reviews that have and have not been undertaken by MOD Delivery Teams. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>
<p>One industry respondent stated that the SSRO should be clear that at times it is possible, and appropriate for it to undertake its own reviews before its 15 working day target, particularly where submissions have no errors and can be processed in a quicker timescale.</p>	<p>We agree that it would be helpful to clarify for stakeholders that where it is clear no issue is to be raised on a report, the SSRO may complete its own review in a quicker timescale.</p>	<p>Paragraph 3.5 [renumbered 3.4] updated to make clear that the SSRO may complete its own review within the initial 15 working days from submission if it is clear that there are no issues to be raised on a report.</p>
<p>One industry respondent queried what action would be taken if a report submission was late and whether the SSRO would still inform the MOD of this delay. This respondent also suggested that, linked to the timelines of report submissions, it would be useful for industry to be informed of MOD's punctuality in notifying QDCs to the SSRO.</p>	<p>The SSRO maintains a log of late and overdue submissions and regularly discusses this with the MOD. We will continue to do so. As part of the SSRO Support function, we monitor when contracts were entered into and when they were subsequently added to DefCARS and discuss any issues with the MOD. We will extend this monitoring to track when we are notified of new contracts. This additional tracking is covered by section 7 of the methodology (supporting compliance and improving the regime) and so no change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>

Comment	SSRO response	Impact on methodology
<p>One industry respondent thought it would be useful for contractors to have a greater understanding of the approach taken by the MOD when reviewing report submissions and stated that the SSRO should be more proactive in getting the MOD engaged in the review process.</p>	<p>The MOD's approach to reviews is detailed in its commercial toolkit. The MOD's approach to undertaking reviews is considered by the SSRO as part of its additional compliance monitoring activities (section 4 of the methodology) and a summary of this has been reported in our compliance reports in the past. As detailed above, our work on data utilisation will facilitate better use of data by responding to demand within the MOD and developing specific MI as part of our work on 'Data Utilisation'. This work will involve the SSRO engaging directly with selected MOD teams to identify their needs and deliver the data and insight that decision makers need to support procurement decisions and contract management. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>
<p>One industry respondent supported the provision of additional management information from the system at contractor level, such as reports due in the next six to twelve months and the issue of upcoming and reminder emails from DefCARS. The MOD also agreed that the SSRO should provide appropriate additional compliance MI direct to stakeholders.</p>	<p>We thank respondents for these comments and will consider what regular compliance MI can be provided to stakeholders with the aim of improving the timeliness and quality of submissions. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>

Comment	SSRO response	Impact on methodology
<p>One industry respondent was keen to see details of how systems enhancements can make DefCARS more user-friendly, efficient to enter data and better suited to user-review as a helpful reporting tool.</p>	<p>The DefCARS future technology strategy sets out our overall vision as well as a series of change objectives for the system, and our general approach is to consult with stakeholders before making specific changes to the system. We will continue to do so, and have recently issued a consultation on 'DefCARS enabling changes' which provides some detail on proposed changes to make the system simpler and more efficient for users to submit their reports. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>
<p>One industry respondent stated that validations can sometimes be flagged incorrectly and these matters should not be taken into account when considering report quality.</p>	<p>Our general approach is to rely upon the 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. We keep the set of validation warnings under review to ensure they target reporting requirements in a proportionate way. A reporting obligation will only be identified as not being met for the purposes of measuring our quality KPI if the SSRO or the MOD has raised an issue on a submission which has resulted in the contractor:</p> <ul style="list-style-type: none"> • submitting a correction report to rectify an error; • providing additional information required by the legislation; or • failing to respond to the issue raised. <p>This approach aims, on the whole, to ensure that any erroneous validation flags are taken into account. No change has been made to the final methodology as a result of this comment.</p>	<p>N/A</p>

Comment	SSRO response	Impact on methodology
<p>One industry respondent agreed that a summary compliance report is a positive move and such a report can be distributed to relevant stakeholders. The MOD stated that it agreed that the SSRO should consider whether to publish a detailed or summary version of the compliance report each year, but would expect the MOD and Industry to be engaged in this consideration.</p>	<p>We thank respondents for these comments and will give thought to what factors to consider when deciding on whether to produce a detailed or summary report in any one year. We consider that the wording of the proposed methodology affords us this flexibility. No change has been made to the final methodology as a result of these comments.</p>	<p>N/A</p>
<p>The MOD stated that the statutory reports provided under the DRA/SSCR are a fundamental component of the regime, providing a set of data that is unique, with many data points and features not available to MOD users from any other data source, suggesting that the proposed wording at para 1.5 (summarised in Appendix 1 of the Consultation Document) could be strengthened to underline the unique qualities of the data provided in the statutory reports.</p>	<p>A key feature of the regulatory framework is that contractors and suppliers are required to provide the SSRO and the MOD with information about their contracts, business unit costs and related activities. This transparency supports the MOD by providing statutory sets of standardised data and information, with a duty on contractors to notify it of events and circumstances that may materially affect the contract, allowing it to negotiate and manage single source defence contracts.</p>	<p>We have updated paragraph 1.5 to highlight the transparency features of the legislation.</p>

Comment	SSRO response	Impact on methodology
<p>The MOD supports the SSRO's use of targeted and thematic reviews, including any relevant consideration of what processes were implemented by contractors to meet reporting requirements and the processes the MOD had in place to review those submissions. Additionally, the MOD agreed that the review period for thematic reviews need not be constrained to a particular financial year, rather should consider '<i>whatever period is appropriate to the subject under review</i>'. This view was supported by one industry respondent.</p>	<p>We thank the respondents for these comments. We will continue to undertake our programme of targeted and thematic reviews. No change has been made as a result of these comments.</p>	<p>N/A</p>

5. Next steps

- 5.1 The SSRO will commence implementation of the [updated compliance and review methodology](#) on 1 April 2023. The SSRO has produced internal guidance to ensure that our application of the methodology is objective and consistent and will ensure that this is kept updated.
- 5.2 Data produced from the application of the methodology will be collated ahead of the publication of the next applicable Compliance Report and will be used to analyse compliance trends.

Appendix 1: Summary of changes

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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> <p>good value for money is obtained in government expenditure on qualifying defence contracts ('value for money'); and</p> <p>that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts ('fair pricing').</p>	<p>1.5 A key feature of the regulatory framework is that contractors and suppliers are required to provide the SSRO and the MOD with information about their contracts, business unit costs and related activities. 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. This transparency supports the MOD by providing statutory sets of standardised data with a duty on contractors to notify it of events and circumstances that may materially affect the contract and other relevant information, helping facilitate the negotiation and management of single source defence contracts. The methodology has been prepared having regard to the SSRO Data Strategy and the DefCARS Future Technology Strategy. These aim to ensure 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.</p>	<p>Paragraph updated following stakeholder feedback to highlight the transparency features of the legislation.</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
	<ul style="list-style-type: none"> • 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: • good value for money is obtained in government expenditure on qualifying defence contracts ('value for money'); and • persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts ('fair pricing'). 	
<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>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>No change following consultation.</p> <p>[consequential changes to paragraph numbers in this section following this addition from extant methodology]</p>
<p>2.8 Where issues are identified from a compliance review, appropriate action should be taken to address them. Action may include:</p> <ul style="list-style-type: none"> • correction of report submissions by contractors; • enforcement action by the MOD; or • development of reporting guidance and DefCARS by the SSRO, or recommendations to the Secretary of State for legislative change. 	<p>2.8 Where issues are identified from a compliance review, appropriate action should be taken to address them. Action may include:</p> <ul style="list-style-type: none"> • correction of report submissions by contractors; • the issue of compliance or penalty notices by the MOD, including any subsequent enforcement action; or • development of reporting guidance and DefCARS by the SSRO, or recommendations to the Secretary of State for legislative change. 	<p>Paragraph updated following stakeholder feedback to clarify that by 'enforcement action' we mean the issue of compliance or penalty notices by the MOD, including any subsequent enforcement action.</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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>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>3.2 The SSRO will rely primarily on the results of automatic checking within DefCARS when carrying out its reviews of contract reports after submission. 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>3.3 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. 	<p>Paragraph updated following stakeholder feedback to provide 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. Paragraph 3.3 deleted as key considerations now included in paragraph 3.2.</p> <p>[consequential changes to paragraph numbers]</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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. 		
<p>3.5 The SSRO aims to commence manual reviews of contract reports when 15 working days have elapsed from submission of the report (to allow time for the MOD to carry out its own reviews, as set out in section 5), and to complete the reviews within a further 15 working days. The SSRO does not currently apply review timescales to correction reports or to supplier reports, but may do so in the future.</p>	<p>3.4 The SSRO aims to commence manual reviews of contract reports when 15 working days have elapsed from submission of the report (to allow time for the MOD to carry out its own reviews, as set out in section 5), and to complete the reviews within a further 15 working days. The SSRO does not currently apply review timescales to correction reports or to supplier reports, but may do so in the future. The SSRO will aim to complete its own review within the initial 15 working days from submission if it is clear that there are no issues to be raised on a report.</p>	<p>Paragraph updated following stakeholder consultation to make clear that if no issue is to be raised on a report, the SSRO will aim to complete its own review in a quicker timescale.</p> <p>[consequential changes to paragraph numbers]</p>
<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>3.5 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>No change following consultation.</p> <p>[consequential changes to paragraph numbers]</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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>3.11 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 will also make clear the quantum of issues arising per report submission. In addition the SSRO will develop and provide regular management information to contractors who make the greatest number of contract or supplier report submissions to allow them to understand the range and quantum of issues identified within submissions. Similar information will be available for other contractors upon request. We will report these indicators as a twelve-month average as a proportion of report submissions in any compliance report.</p>	<p>Paragraph updated following stakeholder consultation to make clear that additional regular management information will be provided to stakeholders to allow them to understand the issues arising within their contract or supplier report submissions.</p> <p>[consequential changes to paragraph numbers]</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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>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>No change following consultation.</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>4.3 These additional compliance activities can only be successfully undertaken with stakeholder support. The SSRO will seek to 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>Paragraph updated following stakeholder consultation to make clear that these additional compliance activities can only be successfully undertaken with stakeholder support.</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<p>6.1 The SSRO will work with contractors to encourage timely and good quality submissions. If an issue is not satisfactorily addressed through engagement with a contractor, the SSRO will consider whether to raise it with the MOD. Bringing issues to the attention of the MOD allows the MOD to:</p> <ul style="list-style-type: none"> • provide feedback that informs the SSRO's understanding; • resolve the issue in cooperation with the contractor; or • take enforcement action if it considers that is appropriate. 	<p>6.1 The SSRO will work with contractors to encourage timely and good quality submissions. If an issue is not satisfactorily addressed through engagement with a contractor, the SSRO will consider whether to raise it with the MOD. Bringing issues to the attention of the MOD allows the MOD to:</p> <ul style="list-style-type: none"> • provide feedback that informs the SSRO's understanding; • resolve the issue in cooperation with the contractor; or • issue compliance or penalty notices, including any subsequent enforcement action. 	<p>Paragraph updated following stakeholder consultation response to clarify that by 'enforcement action' we mean the issue of compliance or penalty notices by the MOD.</p>
<p>6.3 DefCARS automatically notifies contractors of forthcoming contract 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>6.3 DefCARS automatically notifies contractors of forthcoming contract 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>No change following consultation.</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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>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>No change following consultation.</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>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>No change following consultation.</p>

Proposed wording in consultation	Final methodology wording	Reason for any change from proposed wording following consultation
<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 sub-group, provision of findings to interested MOD contacts, or through a separate publication of the review on the SSRO's website.</p>	<p>8.4 The SSRO recognises that some issues may take time to resolve but are capable of being corrected on DefCARS. Some other issues, however, relate fundamentally to how the provisions of the regime apply in practice and may be difficult to understand or address. In order to ensure that issues identified are not left without consideration, the SSRO will provide regular feedback to the MOD, identifying where matters have had an impact either on data quality or the operation of the regulatory framework. 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 sub-group, provision of findings to interested MOD contacts, or through a separate publication of the review on the SSRO's website.</p>	<p>Paragraph 8.5 merged with paragraph 8.4 following stakeholder feedback to make clear that the SSRO will provide regular feedback to both the MOD and to industry.</p>

Appendix 2: Consolidated stakeholder responses

Respondent 1: The MOD

The MOD response to the SSRO's 'Compliance and review methodology consultation' (Nov 2022 – Jan 2023)

Please find attached the MOD's response to the above consultation, utilising the questions included in Appendix 2 of the consultation document. The MOD has no objections to the SSRO publishing this consultation response on the SSRO's website, alongside its feedback on the changes which have been made following consultation.

Question 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?

MOD response to Q1 - The MOD agrees that the methodology does clearly demonstrate how the SSRO will exercise its s36(2) function and how its s39(1) function may be informed through its work in this area.

The MOD agrees that the statutory reports provided under the DRA/SSCR are a fundamental component of the regime, providing a set of data that is unique, with many data points and features not available to MOD users from any other data source. For example, prior to the SSCR 2014, there was a varied requirement to the reporting by suppliers of the actual costs they incurred to deliver MOD's single source contracts, and when provided it was often not timely. Whereas the MOD now gets timely reports of the actual costs incurred by suppliers - and hence actual profit rates achieved - on all contracts subject to the SSCR. This is invaluable and unique information for pricing future work more accurately. We therefore suggest the proposed wording at para 1.5 (summarised in Appendix 1 of the Consultation Document) could be strengthened to underline the unique qualities of the data provided in the statutory reports.

Question 2 - Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

MOD response to Q2 – The MOD agrees that the SSRO's overall approach to its compliance activities is reasonable and is sufficiently described in the methodology document.

The MOD supports the SSRO's use of targeted/thematic reviews. We agree that it is a useful development to make clear that the review period is not required to be constrained to a particular financial year but should range over whatever period is appropriate to the subject under review. We agree that the processes a contractor has in place to meet reporting requirements, and the MOD's processes for reviewing those submissions, may be a necessary part of a targeted/thematic review.

Question 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?

MOD response to Q3 - The MOD agrees that this is a necessary and helpful development. A simple 'pass' or 'fail' test where a single omission or error can lead to a "failure"

classification can easily lead to users of the statistics forming a misleading assessment of the extent to which suppliers are fulfilling their obligations under the legislation, and hence the quality and usefulness of those submissions. The MOD would welcome a more sophisticated measure of quality which assessed the nature and extent of any compliance failure in a report and placed that in context of the degree to which the rest of the reporting requirements had been met.

Question 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?

MOD response to Q4 - The MOD will review its own processes and work with the SSRO to re-examine how SSRO issues raised in DefCARS are handled, and responses provided to the SSRO. We do not disagree with the proposal but wish to work with the SSRO to make it an unnecessary facility.

Question 5 - Are there any other elements of support or engagement that should be reflected in the methodology?

MOD response to Q5 -The MOD agrees that the SSRO should consider whether to publish a detailed or summary version of the compliance report each year, but would expect the MOD and Industry to be engaged in this consideration. The MOD agrees that the SSRO should consider whether it is appropriate to provide additional compliance management information directly to stakeholders.

Respondent 2: DSAG

Compliance and Review Methodology - DSAG response

Introduction

The reporting regime is an area that should undergo an effective test for value for money given that reporting is becoming an ever increasing burden yet under-utilised. It is encouraging to learn from SSRO statements made at the recent ADS Defence Sector Board that you are keen to reduce “red tape” which would lend itself to a thorough review of what is needed in terms of reporting and to ensure that the time and effort that is expended in complying is not wasted.

General comments

Para 2.3: The use of a pass or fail should be examined as it seems harsh when the error may be minor and not effect the overall information being presented. While we note that management information will accompany the quality assessment it is not clear how this will shift the focus away from a pass or fail. Perhaps a gradient assessment might be better showing the difference between minor errors versus more substantive errors which does effect the overall data integrity.

Footnote 1: the comparability of the data being comparable over time is presumed to mean within a particular contract rather than over all contracts reported by a contractor, otherwise it is not clear how genuine comparability could be achieved if the contractual baseline is different for each contract. In addition, data being accurate when submitted can only mean what is recorded at the time. While there may be post reporting adjustments to be made, particularly at year end, these should not be recorded as inaccurate data or under a pass fail assessment as they are part of the normal reporting cycle of any business.

Para 2.8: The second bullet (enforcement action) is incorrect and misleading. It should read “initiation of the statutory compliance regime”.

Para 4.3: The first and second sentence may need further discussion. On the face of things, given that the contractor is permitted to retain its own methodology for accounting and reporting, the statements made may exceed the SSRO’s rights of access to information. The contractor may be entitled to deny access or not respond, or to provide information only through MOD.

Para 6.1: Again in the last bullet the phrase “take enforcement action” is incorrect and misleading. It should read “initiate the statutory compliance regime”.

Para 6.5: The phrase on the penultimate line “any possible non-compliance” is too broad and should align with section 31(3) of the Act (i.e. it should refer to s31(3)(a)(ii), (b) or (c). These relate to grounds for issuing a compliance notice in relation to reporting.

Para 8.4: In the penultimate line the SSRO state “the SSRO will provide regular feedback to the MOD”, why only to the MOD? Para 8.4 and 8.5 should be merged and feedback provided to both MOD and Industry.

Specific consultation questions

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?

Yes, although compliance with s13(2)(a) is not being complied with. Some six years after the introduction of the Act the required reports are not being used. The latest SSRO annual compliance report explains only 26% of contract reports and 5% of supplier reports were reviewed. There is no comment from the MOD users as to how useful those reviews were, or why the reports are not used, and what alternative reports were being used and why. We think currently a VFM assessment would suggest reducing reporting requirements. We recommend a VFM assessment is made, engaging with MOD users and contractors to determine who requires what report, when, and with what frequency. Only when VFM can be established should additional reporting be considered.

Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

Yes, although the methodology needs to be clearer about the level of review that will be applied to each type of report. Suggested wording for paragraphs 3.2 and 3.3 are as follows:

3.2 The SSRO will rely primarily on automatic checking within DefCARS to carry out reviews of contract report submissions

3.3 The SSRO will carry out manual reviews of suppliers' reports after they have been submitted.

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?

Yes, we agree the quality statistic should be further developed. More details on the management information that will be provided is needed before we can fully answer this question. We are not clear what this means or who it will be shared with.

The binary quality assessment is too simplistic with all errors being treated the same even though some may have no effect on the information provided to the MOD (e.g. a simple administrative error that does not affect the information provided will show as failed). A better understanding of the quality of the information within the reports would be useful.

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?

Yes. Issues cannot be left open indefinitely.

Are there any other elements of support or engagement that should be reflected in the methodology?

The annual compliance report is very useful and we would appreciate its continuation. The report should continue to be publicly issued and shared with all stakeholders.

With regards to paragraph 2.9 and how it relates to sections 6 and 7 of the methodology any referral to the MOD should just be on issues of compliance. Aspects of 6.4 would seem to go beyond compliance.

Respondent 3: Leonardo

SSRO's Compliance Methodology consultation paper

We welcome the chance to provide input to your review. We provide our response as complementary to DSAG's paper.

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?

Yes, although we do not believe s13(2)(a) is being complied with. Some eight years after the introduction of the Act the reports required by regulation are not being used. The latest SSRO annual compliance report explains only 26% of contract reports and 5% of supplier reports were reviewed. There is no comment from the MOD users as to how useful those reviews were, or why the reports are not used, and what alternative reports were being used and why. We think currently a VFM assessment would suggest reducing reporting requirements. We recommend a VFM assessment is made, engaging with MOD users and contractors to determine who requires what report, when, and with what frequency. Only when VFM can be established should additional reporting be considered.

2. Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

Yes

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?

Yes, we agree the quality statistic should be further developed. The binary quality assessment is too simplistic with all errors being treated the same even though some may have no effect on the information provided to the MOD (e.g. a simple administrative error that does not affect the information provided will show as failed). An improved understanding of the quality of the information within the reports would be useful. The consultation refers to developing and publishing management information. We are not clear what this means or who it will be shared with.

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? Yes, issues should not be left open indefinitely. This similarly applies to issues raised by the MOD. See our response to consultation question 5 below.

5. Are there any other elements of support or engagement that should be reflected in the methodology?

The annual compliance report is very useful and we would appreciate its continuation. The report should continue to be publicly issued and shared with all stakeholders. With regards to paragraph 2.9 and how it relates to sections 6 and 7 of the methodology any referral to the MOD should just be on issues of compliance. Aspects of 6.4 would seem to go beyond compliance.

We hope our comments are helpful to your review and are happy to discuss them further.

Respondent 4: Babcock International Group

Observations:

Para 2.1 bullet 4 is effectively confirming what already happens today. SSRO should take a more proactive approach to getting MoD engaged in this process. The regulations apply to all and should not be seen as an avoidance activity by MoD.

Key Changes:

New para 2.3 is fine but there may be limitations on DefCARS functionality on occasions where it reports incorrect validation errors. This should be taken into account when making any assessment of submissions.

The methodology states that the SSRO will wait 15 working days before reviewing the reports. The SSRO should caveat this where there is a regular reporting cycle. If QCRs have no errors they are processed in a shorter timescale, sometimes on the day of submission itself.

It is assumed that notifications will be enacted in para 6.3 prior to publication as this element has been paused to clear potential errors.

We disagree with the proposal in para 6.8 as iterated above in the observations. MoD need to be engaged in this process and should be forced to respond as required.

Para 8.2 effectively confirms the process that happened with the 2022 publications. A summary report is a positive move. This can be used to distribute to our relevant stakeholders to give an overall viewpoint.

SSRO 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?

Yes.

2. Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

The SSRO approach is clear.

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?

There should be some development in this area as the current criteria is too restricted. Quality should be assessed by the number of queries and their nature. It would also be of interest to be informed of MoD's punctuality in notifying QDCs to the SSRO. The regulations apply to all parties.

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?

No. See earlier responses above. MoD should not be setting policy and regulations if they are not going to adhere to the rules themselves.

5. Are there any other elements of support or engagement that should be reflected in the methodology?

No.

Respondent 5: anonymised response

[Our] responses to the five consultation questions are as follows:

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?

Yes, nothing further to add.

2. Is the SSRO's approach to its compliance activities sufficiently clear from the methodology?

Yes, nothing further to add.

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?

Yes, feedback on quality and progressing such quality are worthwhile.

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?

We should acknowledge staffing problems in MOD and a lack of bandwidth to address issues. It is possible that important issues can't be addressed in that timeframe as a result, however, yes, this is a sensible proposal and will encourage MOD to prioritise.

5. Are there any other elements of support or engagement that should be reflected in the methodology?

One issue we have raised previously is that the email notifications from DefCARS do not make it easy to push for compliance within our organisation as they can cause duplication effort. The addressee list is hidden and the recipients only see their own contact details. Hence, I (for example) don't know if the request to take action on a report has gone to the relevant person. It probably has gone to other addressees but it is possible that they are no longer responsible or simply not taking appropriate action. I would have to delve into DefCARS to find out who is linked to a particular contract and contact them separately. The response would usually be "we are aware and are on it" but I will have wasted time tracking them down and chasing. Additionally it is not possible to easily view all users allocated to each contract. We would be keen to see details of the DefCARS Future Technology Strategy and how systems enhancements can make DefCARS more user-friendly, efficient to enter data and better suited to user-review as a helpful reporting tool (rather than a painful data collection tool).

Respondent 6: anonymised response

Just a couple of comments from [us]:-

- There does appear to be a desire to generate greater information, eg:
 - plans to develop and publish management information in addition to the KPIs which indicate 'pass' or 'fail'
 - in addition to the DefCARS automated checking, supplier reports to be subject to additional review, which considers the 'consistency of supporting information supplied alongside the DefCARS submission'!

it would be useful to understand the additional benefit of such.

- Section 5.3 of the Compliance & Review Methodology: MoD have 15 working days to review & respond to a report submission. From our limited experience thus far, it has been noted that MoD are taking considerably longer than 15 days to review a report submission, with [us] or SSRO having to press MoD into reviewing the data in DefCARS in order to get the "MoD verification complete" status. Without this status it is unclear whether MoD are still intending to review the data at some point or if they have any issues, leaving the contractor in limbo for an unknown time period.