HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Whole of Government Accounts 2020-21, HC 65

Thursday 9 November 2023

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Jonathan Djanogly; Mrs Flick Drummond; Ben Lake; Anne Marie Morris; Sarah Olney.

Gareth Davies, Comptroller and Auditor General, Marius Gallaher, Alternate Treasury Officer of Accounts, and Simon Helps, Director, NAO, were in attendance.

Questions 1-59

Witnesses

I: Cat Little, Second Permanent Secretary, HM Treasury; Conrad Smewing, DG Public Spending, HM Treasury; and Andrew Cartner, Director Public Spending, HM Treasury.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

Whole of Government Accounts 2020-21 (HC 1588)

Examination of witnesses

Witnesses: Cat Little, Conrad Smewing and Andrew Cartner.

Chair: Welcome to the Public Accounts Committee on Thursday 9 November 2023. Today we are looking at the Whole of Government Accounts, which bring together the accounts of more than 10,000 public organisations. This is something this Committee looks at regularly: it is the balance sheet of the nation and a useful document to explain where tax money is spent and what the Government's liabilities are.

We have been concerned about the timeliness of the accounts, which are now quite late, partly because of covid, we understand, but nevertheless we want to probe why, and how long the Treasury will take to get the accounts back on track. The timeliness makes a difference to how useful the document is for future decision making, as well as to transparency for taxpayers on where our money is going.

I welcome our witnesses: Cat Little, Second Permanent Secretary at His Majesty's Treasury; Conrad Smewing, the Director General for Public Spending at His Majesty's Treasury; and Andrew Cartner, Director for Public Spending at His Majesty's Treasury. We also have a phalanx of technical civil servants sitting in the Public Gallery who have done a lot of the heavy lifting on this important piece of work. Our deputy Chair, Sir Geoffrey Clifton-Brown, will kick off.

Q1 **Sir Geoffrey Clifton-Brown:** Good morning, everyone. We all know that these accounts, the WGA 2020-21, are probably the latest ever, coming after 27 months. For the record, will one of you tell us what the principal reason for that is?

Cat Little: Good morning, Sir Geoffrey. I will start off. As you know, you are right that this is the longest the accounts have taken post the completion of the financial year to which they relate. However, it is probably one of the fastest production timetables that we have ever followed. As you know, we produce a set of accounts and then move on to the next one; this set of accounts took us about 14 months to produce from start to completion, which is one of the fastest that we have ever done.

I will turn to Andrew shortly to talk through some of the reasons why these accounts are so late, but I will say up front that we have learned lots of lessons about how to accelerate and improve the timeliness of the accounts. This year, we have had a dedicated project manager, put in more resources and had further external assurances on how we produce the accounts in the fastest and most efficient possible way. We are really committed to getting the timetable back on track. Andrew will talk through the detail.

Q2 **Sir Geoffrey Clifton-Brown:** Before we go to Andrew, your software, OSCAR, is now improved. Will you say something about that? Software is not a limiting factor any more.

Cat Little: In summary, OSCAR conflated with the timeliness of the underlying accounts audit—the submission of data and the number of accounts that are produced and sent to us on time—have been the underlying causes. OSCAR II is in a much better place than it was the last time that I came to talk to you. We have had a very detailed recovery plan, with our technical support team working painstakingly through all the things that we needed to fix. Again, Andrew can give you more detail.

Andrew Cartner: A good way to look at this is that there are three aspects to how we produce the WGA: the data-collection phase; the accounts production phase, which happens within Treasury; and the audit by the NAO. The data-collection phase is where we experienced the issues for '20-21. The data-collection window opened in April 2022 and we extended that three times, to December 2020, so the data-collection window was open for nine months.

Chair: Did you mean to say that you extended it three times to December 2022?

Andrew Cartner: Yes. We extended it three times, because we wanted to get as much data in as possible to make the WGA as useful as possible. That first phase is predominantly the reason for the delay that we had in the '20-21 WGA.

In phases 2 and 3, as Cat said, we have done the accounts production quickly and swiftly. Traditionally, that takes five to six months to do, and the NAO audit aspect three to four months. Those aspects have worked fine. Cutting across all that, we have the OSCAR II system with improved stability, which Cat talked about, and we also have the project management discipline and the new recovery plan that we have introduced.

Q3 **Sir Geoffrey Clifton-Brown:** That is really helpful. Can I unpick the point that the Chair rightly picked up, which was your extending the time for all of those bodies, particularly local government bodies, to submit data to you? Clearly, you cannot start preparing the accounts until the data is submitted to you, so I would like to ask a few questions around that. This seems to me to be an area where we could and should speed up the whole process.

Paragraph 1.20 on page 19 of your WGA accounts shows that in the year 2015-16, only one audit was not submitted, whereas in the year we are dealing with, '20-21, there were 161. If you look at those numbers, the trend between those years is getting appreciably worse. What more can you do to encourage local government to produce their audits on time?

Cat Little: Conrad, you start. We are all keen.

Conrad Smewing: This is obviously one of the most significant problems that we are worried about in the production of WGA, and more broadly as the Treasury. The plan that we are putting in place with DLUHC and the FRC, in close consultation with the NAO, to try to eliminate these backlogs in local audit has three legs. The first is setting backstops in place—drawing a final deadline for the production of the audited accounts for local government bodies—which requires a trade-off in accepting that it may be necessary for there to be qualifications or even disclaimers on those accounts. The trade-off there is between the reliability of the data and its timeliness and usefulness.

The second leg is looking at the audit approach, which is one of the key drivers of problems in the local government audit market. This is for the FRC and DLUHC primarily, but the FRC are looking at providing guidance to auditors, underlining the importance of the timeliness of producing this data and indicating that they take a proportionate approach to historic audits in looking at audit quality reviews. That should, hopefully, bring those back online. Then there is looking at the workforce strategies that produce these audits to help to close the resourcing gaps across the system.

Lastly, the other element we are looking at—because it is a whole-system thing—is what can be flexed in the accounting standards and the financial reporting framework to help to streamline the production of the accounts. That is the approach to the whole-system problem. There is a more WGA-specific element in terms of providing support to and engaging with the bodies that produce audits for WGA. Andrew might want to say a bit about our engagement with the bodies that are producing this stuff.

Andrew Cartner: We have done a lot more engagement, as Conrad says. We are speaking to FRC. We are part of a system-wide approach with FRC, NAO and CIPFA looking at how the local audit regime and issues can be addressed. Within the Treasury, we care very much about that for public transparency reasons and because of the impact on the WGA, so we very much see our role as twofold: one, in terms of support and encouraging that work to progress; and, also, being active participants in that by putting forward suggestions on things that can be done and supporting suggestions that others want to take forward.

Q4 **Sir Geoffrey Clifton-Brown:** It strikes me that there is a bit of a carrot and a bit of a stick on these local authorities. If one or two local authorities are late, that is a reputational damage; if the majority are late, that is just tough. The Treasury has given local authorities more money to carry out these audits and has encouraged more audit firms to come into the business to do them. It is not just the WGA that is affected by this whole sector; it is us, the public—the individual councillors and individual council officers. My local council, Cotswold District Council, is two years late on its accounts. What more can be done with both carrot and stick to try to resolve this problem?

Cat Little: I was quite taken by the way in which the NAO, and your subsequent report, summarised the kind of actions that need to be taken. I think your recommendations around auditor incentives and sanctions are clearly critical. We have tended to work on incentives—we have provided more money, we have tried to look at the regulatory framework and we have worked very closely with the NAO and the FRAB to try to make it more proportionate to audit these bodies—so I think we do now need to turn to look at what the sanctions are. Of course, that has to be part of a whole-system approach for how we look at financial management and value for money within the local government sector. As you know from the Committee hearing back in March, DLUHC are very much committed to making sure that Oflog performance and value for money across the whole of the sector are taken forward as a priority. We are very much embedded and part of that work.

The other thing I would say is that this is not just about local government. We have to fix it in local government in order to stem the contagion to other sectors, and one of our big concerns is to what extent this starts to spill over into health audits and potentially more broadly. That is our main priority at the moment.

Q5 **Sir Geoffrey Clifton-Brown:** In the evidence to us from Professor David Heald, it says: "The Treasury has raised the component audit threshold for the 2020–21 WGA, such that just 10 Local Government returns will require auditing for" those accounts. It then says: "Although this will make it easier for the Treasury to produce the WGA on time, it may have negative consequences for the quality and reliability of data unless the Treasury undertake additional assurance work to mitigate this risk". If only 10 audited local authority accounts are required in the WGA, doesn't that considerably weaken the usefulness of the whole exercise?

Cat Little: If I may, it would be useful to clarify my understanding of the figures. We took that judgment at a point in time. That is not to say that we might not change the audit threshold again; we wanted to make sure that we made this proportionate to risk and to the materiality of the Whole of Government Accounts. Under the £500 million threshold, my understanding for previous years is that 251 bodies would have been caught by the threshold and that, at £2 billion, it would be 61. That is a 20% reduction in the number of bodies. Our judgment at the time was that they would not necessarily be material to the understandability or the quality of the Whole of Government Accounts. Now, that is a judgment.

Q6 **Chair:** It might be helpful to bring in the Comptroller and Auditor General at this point, because we have been discussing this with him, and he has a big role to play in this.

Gareth Davies: Our role is to set the code of practice for local government audit and to work with the others in that system to restore some robustness to what, at the moment, is clearly unacceptable. The two focuses of that work are clearing the backlog—Sir Geoffrey mentioned his local council, with two years' backlog; there are some councils with a worse backlog than that—which needs to be cleared quickly, and then returning to a timely system of robust audit that doesn't recreate another backlog for the future. That is the work that is going on behind the scenes between the bodies involved, co-ordinated by the Department responsible, which is DLUHC, but also involving the FRC, CIPFA and others, along with Treasury colleagues.

At the moment, the problems this is causing are not just delays to the Whole of Government Accounts but, as you said, delays to accountability locally, too. You mentioned infecting other sectors, and so did Cat Little; I think that the Department of Health accounts for the year for which we are completing the audit at the moment—the 2022-23 year—are going to be delayed by two months just because of a failure of a local audit supplier to complete the necessary work. That is just an illustration that this is already affecting health, as well as local government, so it is an urgent priority for Government to resolve.

Q7 **Chair:** Just to chip in to both Ms Little and the C&AG, recent reports suggest that it is going to take five years to clear the backlog. That isn't a surprise, because we have been looking at this for a while and we are aware that the permanent secretary at DLUHC is very focused on this. Does that ring true to you, C&AG and Ms Little? Is there anything the Treasury can do further to try to speed things up?

Gareth Davies: The work we are doing at the moment would clear the backlog much faster than that, but at the expense of lots of qualified and disclaimed audit opinions. The price of clearing it will be lost assurance, to be clear. On the question about when you return to unqualified local government opinions on a timely basis, that will take a bit longer, because the process of closing this gap, essentially, that has opened up between what was accepted accounting and audit practice in that sector and what is now required by auditing standards and accounting standards—it is about closing that gap, and that will take a little bit of time.

Cat Little: I would really agree with that. It will take a couple of years for us to clear that backlog. The judgment call that we would make is that it is better to take some risk and get the timeliness back on track so that we can fully reset the way in which local government approaches its responsibilities here. The Comptroller and Auditor General mentioned the asymmetry between the audit quality standards and the audit process. The more that the audit quality standards are raised, both in the private and public sectors, the more that puts additional pressure on the audit market and their margins. Their ability to complete the work to that level of quality is considerably impaired.

The difference, I think, between the private sector and the public sector is the level of regulation. We have a federated, devolved approach to the way in which we regulate the public sector, and there are different ways of doing it for different sectors. There is an interesting policy question about how much regulation the Government want to put in place over the public sector to raise those standards in a similar way to the private sector.

Sir Geoffrey Clifton-Brown: That is a really interesting question—

Chair: Mr Cartner was going to add something. Then I can bring you back in.

Andrew Cartner: I wanted to go back to Sir Geoffrey's point about the £2 billion—or do you want to come to that later?

Sir Geoffrey Clifton-Brown: Please do.

Andrew Cartner: Okay, so bringing it back to the WGA, I want to be really clear that the £2 billion threshold relates to the cycle 2 submission for the WGA, which needs to be audited by the NAO. Obviously if the system is working correctly, the individual local authorities have already had their accounts audited and have completed their WGA submission. It is just the WGA submission that is audited, and that is the threshold that we have increased from £500 million to £2 billion. That brings it in line with the threshold for central Government. As Cat said, that is a judgment we have taken. It means that, again, when the system is working well, only 10 local authorities would have to submit that. We think that is a low proportion, with lower risk on the sort of assets and liabilities that are in the WGA, because the majority of them come from central Government components.

Q8 **Sir Geoffrey Clifton-Brown:** To return to the very interesting discussion between Cat Little and the C&AG, there is a balance here between timeliness and completeness. Given the very low number of local authority accounts that are properly audited and certified by OSCAR and have everything else that you would like to include in your accounts, is there a balance between using unaudited yet complete figures while still incurring the wrath of the C&AG and getting his qualification but getting the WGA accounts out in a more timely manner?

Cat Little: Put very simply, yes. That is the judgment call we have made in lowering the audit threshold. I would see it very much as a temporary reset measure, rather than something that we would want to see persistently pursued over time. As you know, we already have a real challenge in getting data submitted for inclusion, let alone whether it is audited or not. We are trying to get that balance between timeliness, quality and the level of assurance we get as part of the Whole of Government Accounts.

Q9 **Sir Geoffrey Clifton-Brown:** I am going to ask a question, but I am not necessarily expecting an answer from any of you, because you may want to reflect on this. On the business of the carrot and the stick, we are great advocates in this Committee of shining a light on bodies that are not doing their job properly. To refer again to the evidence from Professor David Heald, he suggests in paragraph 8 that we might usefully ask you for "data by nation and type of local authority analysing those councils which (i) only submitted draft accounts for WGA 2020-21 or (ii) did not submit any accounts for WGA 2020-21." He also says we might ask for "information on how many councils were required to have their WGA 2019-20 submissions to OSCAR II assured by their auditor", which is not in the public domain, I gather. Are those the sorts of things that you might consider putting in the public domain so that anybody can get easy access to those local authorities and see exactly what the state of their accounts is—whether they are complete, audited, or not audited? Is that something you might consider?

Cat Little: Transparency is obviously one of the best forms of accountability, and we very strongly support greater levels of transparency. I might take your wise counsel and take that away as a very good question for us to consider more fully.

Gareth Davies: For a long time now, on the NAO website you have been able to search for your council and it will tell you the latest audited year of accounts, and it will report any outstanding ones as well.

Andrew Cartner: I have one final point. Some of that information is currently within the WGA but it is probably spread around. For example, the number of draft local authority accounts that are included in the '20-21 WGA has increased from 29 local authorities to 120. As Cat says, it is something that we can take away and consider around how we package that up.

Q10 **Chair:** To emphasise what Sir Geoffrey said, we are really concerned about this. It is exactly as Sir Geoffrey said: this is leaving local taxpayers in the dark at a time when council budgets are very stressed, and we are seeing a number of 114 notices issued. Not to have audited accounts just compounds the problem. I am sensing from your tones, Ms Little, that you are taking this very seriously in the Treasury, but the worry, exactly as you say, is that it is contaminating the health sector—we see a spread of it.

You talked about the workforce programme—I think it was a four-legged stool, Mr Smewing, if I am being picky. On the workforce strategy and closing resourcing gaps, can you be a bit more explicit about what the Treasury is doing on that that would realistically make a difference, in any real time frame?

Conrad Smewing: I guess the Treasury's involvement is primarily around the funding. As you know, the spending review in 2021 had about £40 million specifically to increase local audit fees—I think. That is the primary thing that the Treasury can do. On the workforce strategy, it is more about us working with DLUHC and the professional bodies on how to streamline, and how quickly people can become local audit partners—that kind of upskilling.

Q11 **Chair:** To be realistic, the Treasury can back the strategy, but you are not really delivering on getting new public auditors. That is not your role, is it?

Conrad Smewing: That is right. We can carry on asking the questions and emphasising how important it is to us for precisely the reasons we have just been discussing.

Cat Little: There is probably one very tangential connection to my wider role as the head of the Government finance function. Generally, we are very interested in how we encourage financial professionals to come into the public sector, whether that is into public sector audit or into public sector financial roles. We regularly talk with the firms, with the NAO, and with CIPFA and other partners about how better to attract people to the profession. Sadly, accountant or public sector auditor is perhaps not one of the foremost professions that young people are currently considering.

Chair: The C&AG is falling off his chair!

Cat Little: I don't fully understand why, but it is our job to make it more attractive and more appealing, and to work with the sector as a whole.

Q12 **Sir Geoffrey Clifton-Brown:** The extra money you have given local authorities to pay for audits will no doubt allow audit firms to put their fees up, which will allow them to pay their auditors in the public sector a little better. Hopefully, what you are doing will improve that situation.

Cat Little: I am sure that is right. Obviously, a lot of these firms do not just do public sector audit—

Q13 **Sir Geoffrey Clifton-Brown:** That is the problem, isn't it?

Cat Little: Well, that is one of the issues—the timing, and the balance of how private and public sector audit work is undertaken.

Q14 **Sir Geoffrey Clifton-Brown:** I would like to take you to a completely different subject: discount rates and pensions. The Committee visited Sellafield, so we are well used to the very long-tail liability of the NDA. That is illustrated very starkly in the sensitivity analysis table on page 141 of the Report, and even better on page 142. A simple change in the discount rate can alter the assumptions about the total—bear in mind that this is 100 years. In one case, it goes from £101 billion down to a complete reduction of £20 billion. It came as a great surprise to read in paragraph 2.6 on page 140 that local authorities can set their own discount rates. Surely, if one is trying to compare on a national basis liabilities across the local government sector, they ought to at least be compelled to have one discount rate, so that we can see the total liabilities in the local authority sector.

Cat Little: It is a really useful point to make, Sir Geoffrey, and I am inclined to agree with you. I have to admit that I do not know a lot about the basis on which local government pension schemes set their rate. I would like to think that they would take instruction from the Treasury discount rate, which is obviously the rate that we would use in central Government for our own pension funds. I might need to take that away, unless Conrad or Andrew has a view. It is an excellent question.

Sir Geoffrey Clifton-Brown: Please let us have a note. I am very happy with that, because it is quite a technical question.

Conrad Smewing: One of the differences may be that many of the local government pension schemes are funded, rather than unfunded. If they have a different mix of assets, that might be a basis for a different discount rate.

Sir Geoffrey Clifton-Brown: Yes, Mr Smewing, but on about page 140, the Report does make a distinction between the discount rates. You are right: the discount rates for funded and unfunded pension schemes are different, and I think that would be acceptable.

Conrad Smewing: Why don't we give you a fuller note on it?

Chair: I think that would be helpful.

Q15 **Sir Geoffrey Clifton-Brown:** That is really helpful. Finally—we have had a little bit of evidence on this—I would like to discuss how you present the national debt. Let me take you to chart 5.C on page 268, and the difference between how you present national debt in your national accounts, and in the WGA net expenditure on national debt. If you look at that table, it seems that they are quite different. Which presents a more useful figure? Public sector net debt is an often quoted figure by politicians, but if it is stated in different ways in different accounts, it can produce a completely different picture. I do not know whether you have a view on that.

Conrad Smewing: I suppose I do have a bit of a view on that. The trade-off you are making is between something like public sector net debt—a statistical concept that is more internationally comparable—and something like the WGA measures of net liabilities, which are fuller, but less easily internationally comparable, because not many countries produce something as comprehensive as this. When you are making the policy decision of which one to focus on from the view of your fiscal sustainability rules, you might focus more on something that is more internationally comparable, and which has a longer time series than the WGA.

I would argue that the WGA measures of liabilities are better if you are thinking about the indebtedness of the UK public sector as a whole, and trying to consider all things. Some of the differences are set out in the useful chart 5.A. There are some quite big future liabilities in the WGA—most notably unfunded pension liabilities—that you would want to consider when you are thinking about fiscal sustainability. When the OBR produce their forecasts for the public finances, it may be more straightforward for them to use a concept like public sector net debt, which is easily comparable over time and internationally.

Q16 **Sir Geoffrey Clifton-Brown:** Thank you for that answer. Finally—I speak as somebody who always reads the Red Book from cover to cover—you do not need to get very far into the WGA to realise what a really important and useful document this is. You do not need to be a huge expert on accounts—certainly when reading the first few pages—to work out what our total income and expenditure is. Again, this is a question that you might want to take away and reflect on, Ms Little: given there is such a lot of useful information, and this exercise can produce a really important economic snapshot of our economy, would you consider giving seminars for Members of Parliament—and maybe even for members of the public—on how to read these documents, and what the implications are, so that Members of Parliament, who have an awful lot to do, could be better informed on the financial state of our nation?

Cat Little: I obviously agree with you, Sir Geoffrey, on how easy to read and understand, and how important, this document is. As you know, we have worked very hard over the last three years to consolidate more of the fiscal risk outlook, to make it more understandable and to use much more plain English. We will continue to do that. I would be open to doing seminars and teachings, wherever there is demand. We are proud of what we do. We think it is important that everybody understands where taxpayers' money goes, how it is spent and what that means for the balance sheet of the country. I am happy to do that where there is demand.

Sir Geoffrey Clifton-Brown: I am afraid that is my last question. Please do not think that I have not respected your answers, but I have to go and speak on the Floor of the House. I shall now make a departure, Chair.

Chair: Thank you very much to the deputy Chair, Sir Geoffrey Clifton-Brown. Over to Jonathan Djanogly MP.

Q17 **Mr Djanogly:** I am meant to be sweeping up after Sir Geoffrey; I think he has covered the area pretty comprehensively. Like Sir Geoffrey, I was interested by the submission of Professor Heald on this. He says at one point: "Resolving the problems of lateness requires understanding of whether the problem in English local authorities derives from (a) accounting requirements, (b) loss of financial management and reporting capacity in local authorities, or (c) problems in the audit market." I think, Mr Smewing, those were the issues that you effectively agreed with. He then continues: "One reason behind the Treasury's…consultation document on valuing non-investment assets was to reduce the alleged burden of using current values, though this change will now not be implemented. In my view the Treasury has been looking in the wrong place as the deterioration in local audit performance is attributable to reductions in local authority capacity…and to the malfunctioning of the English local audit market." You have addressed those as well today, but they are fair assessments.

Cat Little: I think they are very fair assessments. To expand a bit on the state of financial management capacity—

Mr Djanogly: Can I just also say that he finally says: "The evidence for this is that there is no local audit crisis in Scotland, Wales or Northern Ireland"?

Cat Little: It is, again, a fair observation. The first thing I will say, just to expand on the financial management capacity, is that it is something we talk very regularly to CIPFA about. because they have the largest membership of local government finance leaders. The Committee will know that it is hard to generalise about local government. It is such a broad sector. However, there is definitely something about the status of the section 151 officer, the quality of expertise, experience and skills in the audit committee and, to build on what I said earlier, how we encourage talent and leadership within financial leadership in local government. That is definitely something we need to focus more on. I do not know if Conrad or Andrew want to say more on either that or the devolved nations.

Conrad Smewing: With respect to Professor Heald's point about whether the Treasury is looking in the wrong place for solutions, I think we agree with him on where the major problem lies. The point that we made about taking a whole-system approach is that this is a large problem, so we should be looking at all the levers we have in order to get ourselves back on an even keel. That does not necessarily mean that we should pull all those levers, but we should definitely be thinking about what we should do with them. We are looking everywhere we can to improve the situation, but we would take the point about where the main problem is.

Q18 **Mr Djanogly:** Thank you. I have two practical questions to finish. First, can we now expect to see WGAs completed within the 15-month timetable?

Andrew Cartner: We have a multi-year recovery plan for WGA, which Cat wrote to the Committee about in December. It is going to take us a number of cycles of WGA to get back to 15-month post-year-end production, which was the standard.

Mr Djanogly: Several more cycles?

Andrew Cartner: Yes, several more cycles. For the next WGA, 2021-22, we are aiming for spring next year, targeting April.

Mr Djanogly: That would be 2021-22.

Andrew Cartner: Yes, that would be 2021-22.

Mr Djanogly: That was my last question.

Andrew Cartner: We need a period of catch-up, so that would be 25 months after the year end. The 2020-21 WGA was laid before Parliament this July, and we are doing 2021-22, which we are targeting for April; that is nine months between the publications. That is how we will catch up.

I talked earlier about the three aspects of WGA production. One of the big advantages that we have now in the OSCAR II system is that while we are preparing WGA, we are able to capture the data for the following years, so by the time we produced the 2021 WGA, we already had the data for '21-22. The team can then get a good start on producing that. We are in the account production phase. We aim to get draft accounts to the NAO for November, so we are confident that that timescale can be met.

Mr Djanogly: Thank you.

Q19 **Chair:** Ms Little, I turn to you. You are still head of the finance function for the whole of Whitehall—a pretty significant system leader in the arena. Something that I have picked up from a number of local authorities, particularly in expensive areas such as London, is that a number of finance team members are taking early retirement. They then have to come back as locums, because of the statutory role—councils have to employ certain finance officers on a statutory basis. We see taxpayers' money used to pay enhanced fees to people who were previously on the payroll. Individually, that might be a rational decision, but for the system, it is causing real stress. Are you aware of that? Are there any levers you can pull to try and tackle this issue, whether just through your influence or practically?

Cat Little: I am aware of the issue. It is not just in local government. We in the financial and audit markets are very affected by the wider labour market, and we are going through a downturn. It is interesting that quite a lot of the big four firms are running redundancy schemes.

Chair: Yes, I have noticed that.

Cat Little: The context in which we have seen that happen is likely to shift to our advantage; that is the first thing to say. As for pulling levers, it is quite difficult to do that from the Treasury. We need to grow our own talent, and we work very closely with CIPFA and other accountancy bodies on thinking about how to do that—on running our own apprenticeship schemes and our own fast stream for finance in Government. There are equivalents in local government and the health sector, but we do not want to be in competition with those bodies. We want to do this together, so that we build a cadre of people in public sector finance who are here for their careers.

Q20 **Chair:** So you are one of the people holding the ring on that wider system.

Cat Little: It is very much a partnership. We talk to each other regularly about how we are doing that.

Q21 **Chair:** We do not want a golden escalator of pay and promotion in which people move from one area to another. It is of huge concern. I pick up what you are saying about redundancies now. I have noticed that too; suddenly, salaries are dropping, recruitment is freezing, and all the rest of it. Is there anything you are doing with CIPFA and others? If you have private sector auditors and finance people being laid off, they might not immediately think of coming into the public sector. Between you and the National Audit Office, you could potentially have a very useful role, working with CIPFA, to encourage them to hop over the boundary into the public sector.

Cat Little: Yes. I might be slightly parochial, because I would probably want to prioritise central Government. We have 10,000 people in the finance function—we are actually getting smaller—but we want to improve our talent pipeline at the very senior finance leadership levels. I think there is a real opportunity for us to work across the sector to try to attract people. We have an attraction strategy in Government finance, and we are about to launch a dedicated attraction site, to explain to people what we do. People have a fairly pejorative view of what finance in the public sector looks like, sadly, so I take every opportunity I can to explain the really complex, testing environment that we work in, and why this is one of the best places to hone your financial leadership skills.

Chair: There's a little advert for anyone watching.

Cat Little: Sorry, I took advantage.

Chair: And a civil service pension to boot!

Cat Little: Indeed—a very generous civil service pension.

Q22 **Chair:** Well, there we go! Let's hope that begins to solve the problem—I jest.

I want to touch on data collection. It seems to us from looking at this that you are receiving data but not necessarily proactively seeking it out. Could you explain why that is? Do you think you will be taking a more proactive approach for the next set of accounts, in order to fill the gaps in the data? Mr Cartner?

Andrew Cartner: I'll answer that one. Yes, absolutely. On our strategy for our recurrent WGA engagement with the different sectors that submit to WGA, we have good engagement with central Government, and we have a good level of returns from local authorities. We are regularly contacted by people with reasons why they cannot submit, so although we may not be proactively going out and speaking to all local authorities, we know that the issues are related to the discussions we were having earlier.

One area of engagement that we have focused on for '21-22 is Scotland. There were a number of missing entities from Scotland. We are working with the Scottish system, and in particular with Scottish Government finance director, to see a year-on-year improvement in the number of entities that submit.

Q23 **Chair:** Why do some of those Scottish bodies not submit? Can you explain?

Andrew Cartner: There are some lessons learned, both for Scotland and for us in Treasury in terms of our ways of working—in terms of, within Treasury, sending that signal that we need to recover our WGA and that it is right at the top of our priority lists, with different organisations receiving that signal.

Q24 **Chair:** And it just wasn't up the priority list for a lot of Scottish bodies.

Andrew Cartner: Yes, I think that is part of the reason. Another lesson that we have learned in Treasury is in terms of the segmentation of which entities we still need to complete and what the materiality of them is. A good example is the two Scottish pension funds, which are not in the '20-21 WGA—I think about £130 billion of assets and liabilities. We now have them for '21-22, because of the approach that we have taken.

Q25 **Chair:** So basically, you are being more proactive in trying to understand the perspective of the organisations that have to submit.

Andrew Cartner: Yes, and we are doing a lot of engagement across the community in terms of webinars and how you use the OSCAR II system to submit. We are always available for any entities that are having difficulties. In fact, the team on occasion have been on the phone, talking entities through how to submit. We do a lot of engagement in that respect to help organisations out.

Q26 **Chair:** So you are expecting to see an improvement. When you are in front of us this time next year, or whenever we have this session—

Andrew Cartner: For '21-22, I think we will see is improvement in terms of central Government and public corporations. Obviously, for local government, because of the reasons that we have discussed, that will continue to be an issue.

Q27 **Chair:** Okay. The data gaps and the delays mean that this is a less useful day-to-day document. Can you be clear on what impact that is having on the Government's ability to make decisions about spending? Ms Little, do you want to come in first?

Cat Little: Obviously, any gap in the data means that there is uncertainty about the completeness of the information that we are using. When you combine that with the timeliness of the accounts, it obviously makes it a less timely, less complete set of data for us to base decision making on. What I would say is that we have a trend of data. Obviously, we never look at decisions in isolation, as a snapshot of any set of accounts; we are using a combination of data to help us make decisions about public spending and the balance sheet. So it is a bit of a gap, but I do not think that it fundamentally changes the way in which we make decisions, or the quality of the way in which we make decisions day to day.

Andrew Cartner: The level of missing data is material, but when you look at the numbers in the accounts and the increased disclosures, it is a relatively low percentage. I think that is important to note. Although that data is missing, we have added a number of disclosures up front that try to use a proxy based on the last submission. In terms of making it more useful and transparent, we have tried to bring that out in the performance report.

Q28 **Chair:** I was going to come to that. In terms of forecasting, if you had a new Minister, permanent secretary or somebody in a Department and they wanted to look through the accounts and see the trends, you can adjust for the gaps, can you, so that you can see the trend coming through, and you are confident in that modelling? *[Interruption.]* Perhaps, for the record, we can have something a bit more than a grimace.

Andrew Cartner: In the notes and the performance report, where we show trend analyses, we have included detail in terms of the element that is impacted by the missing data. If it is property investment assets in local authorities—whatever the criteria are—throughout the document we have included notes so that the reader can see where the missing data has impacted that trend analysis.

Cat Little: On your specific question about whether a permanent secretary could look at a trend analysis and look forwards despite the timeliness, the simple answer is yes, because we do not just use external financial reporting to provide our financial decision-making data. We use it in combination with current management information for the financial periods we are in, and we have forecasts, both by Department and at national level. It is seeing it as part of a suite of information that you can use to build up that picture of financial future risk.

Conrad Smewing: The only thing I would add is on a really important thing for us to think about for the performance report for the next WGA. In this WGA, we produced a table setting out an estimate of how much the missing data is based on what those bodies submitted in the previous WGA. We need to think carefully about what we should do next year if there is more missing data next year, which we are expecting, to allow people to draw those trends as reliably as possible, given that there will be different bodies missing, as Andrew was saying.

Q29 **Chair:** That is the worry. One of the benefits of this document—it was getting to a really good point—was continuity and comparability year to year. We have seen a dip in that, really, because of the timeliness. The other thing I wanted to touch on is covid, of course. Can you explain exactly what the impact of covid has been on the accuracy and the estimates, Mr Cartner? The 2020-21 accounts were obviously massively impacted by what happened with covid. The Committee were clear from the beginning that we wanted to keep a very close eye on how taxpayers' money was spent. I suggest that we probably have common cause with His Majesty's Treasury on that issue, but can you explain what the impact of covid has been on this particular document?

Andrew Cartner: In terms of the numbers in the document?

Chair: Yes, the material impact for anyone looking at this from the year before to the year after, and what the impact of the covid year was.

Andrew Cartner: In terms of IFRS, we produce the accounts in certain categories. There will be increased expenditure for organisations like DHSC, for inventory. You will see increased grants from what was BEIS, in terms of their business loan support schemes. There was finance guarantees as a key financial liability, and that is now in the accounts. That is the schemes that are 100% Government-backed. There is a new £20 billion liability in there, and that is captured at the expected loss of those schemes.

Q30 **Chair:** That is the culture funds and the business funds.

Andrew Cartner: Yes.

Q31 **Chair:** There is a 20-year tail to these, isn't there?

Andrew Cartner: Yes. Another key new liability is the Bank of England term funding scheme, in terms of lending to businesses; that is a new £75 billion liability in there. Over time, with those loans and the returns we will get on them, that will build as an asset. The other part of the answer in terms of comparability is that tax revenue is down; again, that is an impact of covid.

Conrad Smewing: The other thing that we have included in this year's WGA are the figures from the covid cost tracker, which the NAO started off producing and we have taken over. The performance report sets out at a high level the levels of spending and the values of some of the liabilities and other things by Department. I think we would want to carry on doing that for next year's WGA as well. The Treasury produced our first version of the covid cost tracker at the same time as we published this WGA, and we will do another one next year, so we will keep tracking those figures on the impact of covid on the public finances.

Chair: That brings me neatly to Sarah Olney MP.

Q32 **Sarah Olney:** Indeed—I was just about to ask about the cost tracker, so thank you for introducing it. As you just mentioned, the NAO were doing a covid cost tracker, which has now been taken over by the Treasury. That will obviously be very useful in conjunction with the WGA, so that the extraordinary sums that were spent due to the pandemic can be tracked alongside it. I am interested, though, in the grants and subsidies section of the statement of revenue and expenditure, note 9, in particular—

Chair: Could you give us a page number?

Sarah Olney: I beg your pardon. Note 9 is on page 166. For example, "Current grants to private sector" from HMRC goes up from £0.1 billion in 2019-20 to £81.4 billion—obviously a very significant increase. That is just one of a number of different figures. I am interested that you are not providing a specific figure for how much of that increase is due to covid-19. In each of these sections, the increase is due to grants for covid-19. Is that information available on the cost tracker?

Conrad Smewing: It is. The cost tracker sets out the amount of covid-related expenditure by Department and by year. For example, for HMRC, that big increase will almost entirely relate to the CJRS—the furlough scheme—and the self-employment scheme. It has separate figures set out for that in the cost tracker.

Sarah Olney: Okay. And does that reconcile back to—

Conrad Smewing: I really hope so, yes. It should be the same data.

Q33 **Sarah Olney:** But does it also reconcile to what the NAO was reporting? Do we have a throughput, if you like, from what the NAO was saying originally to these numbers and your new cost tracker?

Conrad Smewing: We worked very closely with the NAO on the production of their cost tracker. We were consolidating the data from Government Departments and providing it to them. Essentially, we have kept the same system and the same ways of collecting the data, so it should all be comparable and consistent across time.

Q34 **Sarah Olney:** And when you produce the new version of the WGA, you are expecting that some of the current expenditure being reported will be covid-19-related and that that will be detailed fully in the cost tracker.

Conrad Smewing: That is right. The next WGA we produce will be ’21-22 and there is quite a large tail of covid expenditure in that year. Obviously, it will tail off as time goes on and it becomes harder to distinguish covid-related from non-covid-related expenditure—as we move from the furlough scheme, which was clearly covid-related, to expenditure on elective recovery in the NHS, which is covid-related but is really paying people to do operations. Over time, it will become harder to distinguish, but for the upcoming WGA, I think it will be—

Chair: I do not know whether the C&AG wants to add anything.

Gareth Davies: No. That process of transferring the reporting process over to the Treasury worked very smoothly from our point of view.

Q35 **Sarah Olney:** In common with other parts of the WGA, there are doubts about the completeness and certainty of numbers related to covid. Do you think that means that there will be a possibility of revision for the cost tracker?

Conrad Smewing: Yes, there will still be revisions to some of the figures in the cost tracker, particularly those that are related to estimated losses on the covid loan schemes, for instance. The early figures are early estimates. As time goes on and you get actual figures for defaults on the loans or whatever, you will get a more accurate number. There will be those kinds of changes. For the really big schemes—the furlough scheme, for instance—I would not particularly expect revisions. That money was spent. We know how much it was. It is not going to change.

Q36 **Sarah Olney:** The cost tracker is obviously not a formally recognised financial statement. Do you think you will go back and revise numbers that you previously put in it, or will you make updates in the current period?

Conrad Smewing: In a way it is collecting together in one place figures that are produced for the financial statement. To take the covid loan schemes as an example, the accounts of the Department for Business—well, it has now been split in two—produced estimated expected losses on those loan schemes and the cost tracker is, in a sense, collecting that data together for people so that, if they are interested in something that is obviously a massive issue for the public finances, we have done the work for them in bringing it together. It is largely a cut or a lens of the financial data that is produced in the ordinary course of business.

Q37 **Sarah Olney:** Some of the current expenditure or revenue—current to these financial statements—might crystalise into assets or liabilities in later statements to the extent that you will then have updated information. Will you still be able to reconcile that back to the cost tracker?

Conrad Smewing: While we are still producing the cost tracker, those changes would come through in that. There is a question for the future—not for the next year or two—how much you should keep revising and revising when the changes are going to start becoming quite small. But certainly for the next year or so, we will want to keep following that.

Q38 **Sarah Olney:** One of the reasons I am asking is that this Committee looked at the bounce back loans, for example, and we are aware of a comparatively high risk of fraud. We are keen to understand how that crystalises as a cost to the Department for Business—in whichever guise it is currently—and what the Treasury can learn from that experience for future incidents when we might need some sort of emergency response from central Government. How is the Treasury using the WGA and the cost tracker to learn those lessons and think about how issues can be avoided?

Conrad Smewing: It is definitely true that an element of the expected costs of those loans in the cost tracker is a result of fraud. The BEIS accounts also have separate estimates for fraud in those schemes. The Treasury has drawn on that data and all the discussion to do a number of things on how it deals with and tackles fraud in the public sector, most notably the creation of the Public Sector Fraud Authority, which is very focused on precisely these kinds of issues—how to tackle fraud and to track down and recover the money, and how future policy interventions can be designed to minimise the risk of fraud and error. It has quite a lot of engagement around Government on building that as a leg into the process of the development of new schemes. That is the main thing. I don't know, Cat—you're an expert on this.

Cat Little: There is just one thing I would add, which relates to the Public Sector Fraud Authority, which is charged with making sure that we have more timely and more transparent information, and better join-up across Government on how we tackle and learn lessons from fraud. I point you to its first annual report, which was published in March. That is the first comprehensive, single place in Government where you can see a summary of all the lessons and what we have done about fraud. I think it is a really interesting read in terms of the numerical analysis of what we think fraud risk exposure and fraud reporting across Government look like.

Q39 **Sarah Olney:** Thank you. That is helpful. Mr Cartner, can you explain how covid-19 has had an impact on estimates, in particular the estimates that public bodies had to make in 2020-21, and what impact that has had on the accuracy of the WGA overall?

Andrew Cartner: When Departments were preparing their estimates and accounts, they had clear guidance from Treasury on how to do that. Year-end guidance included information for Departments to use. Subsequent accounting officer letters included managing finances with uncertainty. I think we managed that as best as we could.

For some of the covid spend that is in the accounts—such as finance guarantees for expected losses on loan schemes, which I talked about earlier—that figure will be a liability in the accounts for a number of years. As better and updated information becomes available, such as on the level of fraud, you will see that liability in the WGA for several years moving forward, but that figure will refine, and the same with the liability and the asset figure for the Bank of England loans.

Q40 **Chair:** One thing about the tracker is that some of the loans delivered during covid have very long tails. We have had this conversation before, but let's play it out again, Mr Smewing. You have the tracker, and there will be a point when you say, "This is now all business as usual," and it drops off, but I would say that there is a value in watching the 20-year loans in the culture funds or the 10-year business loans and learning from them. Even if they are not in a tracker—let us say that we accept that for a moment—is there a way that they will be marked, so that the system can throw them up later? If in 10 or 20 years' time, a Minister, permanent secretary or Treasury official wants to look at the route of that expenditure and how it played out, will there be a way of tracking it without going through every individual Department's accounts and trying to pull it all together? Will there be a marker to highlight and identify the issue?

Conrad Smewing: For the real majority of those loans, you are probably following through only one set of accounts. They are largely on the BEIS balance sheet.

Q41 **Chair:** Of course, but as you have already said, that Department split. That is one of the challenges: machinery of government changes can begin to obfuscate this. It is about finding a line through. Obviously you have trained finance professionals who can do that if they are asked—I am sure many of them are sitting behind you—but what if you are a Minister or a permanent secretary in 10 years' time? Memories are short. Every permanent secretary in Whitehall has moved on in my eight years as Chair, except for one, who changed Department. You can see that the institutional memory might not be there to ask the question. Putting it another way, how will you be able to keep track if people don't know which question to ask?

Conrad Smewing: It is a really good point. We are going to do the cost tracker for at least one more year. If we reach the point at which we think that the full process is not necessary, we should think about what we can do to continue linking further updates to the data back to the same place to make it easy for people to follow through. There will be lots of ways we could do it, and we should think about it before we take the step of deciding not to do the full update.

Q42 **Chair:** One thing about the culture loans is that many of those big organisations will have absorbed that money into their forward funding plans and will have reconfigured how they will fund everything from the Royal Opera House to smaller organisations. There is quite a big lesson that we can learn about what happens when an injection of Government money goes in for extraordinary reasons, how they then re-profile the way they work, and whether there are any benefits or disbenefits to the taxpayer. Was the taxpayer subsidising an organisation that didn't need it? Was it helping an organisation to grow and create wealth, jobs and opportunity, or whatever slogan any politician might use?

Cat Little: One thing I would add to what Conrad said is about the importance of having an evaluation, which is sort of what you are getting into. In the Treasury, we have just done our interim evaluations of the schemes that we were responsible for. Our expectation in the Treasury is that all accounting officers undertake evaluation of material policy. One of our jobs is to make sure that the accounting officer for DBT, which is now the organisation leading on the legacy of those loan schemes, is undertaking an evaluation. Recently, Alex Chisholm and I wrote to all Departments to say that our expectation is that evaluation is undertaken and that we are coming to check that they have undertaken the evaluation of major policies in the way in which we intended.

Chair: Of course, the culture funds were significant as well.

Cat Little: Yes.

Q43 **Chair:** Are you setting a standard for that evaluation? In this Committee, we have seen a lot of poor excuses for evaluation, with the exception of the Department for Education—we had a session with them on some very good evaluation. But it takes a long time to do it properly. Will you be watching the standard?

Cat Little: This is another one of Conrad's favourite subjects, so he should add to this as the expert. We have the Evaluation Task Force within Government, which is all about setting the standard and making sure that we are driving better lessons learned about how we do good evaluation across Government, as well as providing some resources. That is certainly the intention.

Conrad Smewing: What the Evaluation Task Force does is both cheerlead for support and hold Departments to account for the quality of their evaluations. In particular, it pushes them to go from lower-level, less useful evaluations that are just looking at correlations to, where possible, gold-standard randomised controlled trials or different ways of rolling out policies so that you get really good causal analysis of their impact. That is what they do, day in, day out. We help them with the requirements and conditions that we put on spending settlements. We say, "If we are funding this policy, we require an evaluation of this standard," and we follow up those conditions and ensure that the evaluation is published. This is definitely a big focus that the Treasury has for this kind of spending.

Q44 **Chair:** Ms Little, you revealed that you had done some early evaluation of covid schemes. Some of it may have a longer tail, I guess, so it may not be a complete thing. When will His Majesty's Treasury be giving evidence to the covid inquiry? Do you know when your turn will roll round?

Cat Little: Our chief economist at the time of covid—she is no longer our chief economist—was there on Monday afternoon. We have not yet been called as witnesses for other modules. We fully co-operate, and if we are called, that will happen in due course for other modules.

Q45 **Chair:** The finances of it are absolutely critical, aren't they? We all know that.

Cat Little: I would agree with you, and I should say that we are certainly a core participant in all the modules where we have been able to apply for core participant status. I have signed off the Treasury's witness statement, setting out the importance of the financial judgments that we made to the inquiry for the modules that have been received so far.

Chair: Certainly, counting the money, as we have all been reminded many times since, is particularly important. Thank you very much indeed.

Q46 **Mr Djanogly:** I am looking at the Committee's recommendations from last year, particularly recommendation 4: "The Treasury should ensure that analysis in the WGA supports comparability and reflects developments since the reporting date such as the impact of high inflation." I think there are two issues there. First, how does the WGA '20-21 reflect more recent developments beyond the accounting period?

Cat Little: I'll start, and I'm sure Conrad and Andrew will want to add something. We have really enhanced the section on fiscal risk and the overall economic and fiscal context, and we have included more up-to-date information in the section that deals with this. From page 23 onwards, we talk about current inflation, what that means, and the long-term trends for the overall economic and public finance outlook. We would very much welcome your feedback. That was in direct response to that recommendation last year. We are always looking to improve those disclosures.

Q47 **Mr Djanogly:** That is inflation. Are there other issues?

Cat Little: That is not just inflation: we go through the whole economic and fiscal context, and what that means for GDP, public sector net debt, fiscal sustainability and risk. In particular, we cover geopolitical tensions, high energy prices and long-term fiscal pressures, including inflation.

Andrew Cartner: The only other thing I would add is that we have added other sections to the performance report, on sustainability, Government emissions and fraud. Those are new to this version.

Q48 **Mr Djanogly:** Mr Cartner, what have you done to make sure that the WGA is presented consistently year to year to allow for compatibility? Presumably the data holes do not help in that regard.

Andrew Cartner: This goes back to the point that we were talking about earlier. In the different sections, we have used trend analysis. We tend to use five-year trend analysis, which is really useful. The missing data aspect that we talked about before does impact that, but we have drawn that out and, in the narrative, explained where it is impacting the trend data.

Q49 **Mr Djanogly:** Do you see this improving dramatically in future years?

Andrew Cartner: We are always looking for ideas about how to improve comparability; as always, we will take suggestions and comments from the Committee. The missing data could impact that trend analysis. Going back to the earlier discussion, that is going to continue to be an issue, and we need to resolve the system issues before we will see that get better. I would expect, certainly in the next WGA and maybe in the one after, that we will continue to have those issues with the comparability of data.

Q50 **Chair:** We talked about the geopolitical impact of things, but another big issue is net zero spending, which is a key aspect of every part of Government and every body that has reported into the Whole of Government Accounts. How is this being reflected in this report? What plans do you have for providing a further analysis of other key impacts on Government finances, as you work on the next set of accounts?

Andrew Cartner: As I say, towards the end of the performance report there is a new section on net zero. It talks about some of the commitments that the Government have made on new energy, carbon capture, more efficient energy schemes and things like that. They are talked about in the performance report.

Chair: Is that on page 90?

Cat Little: It's page 87 on emissions and page 89 on net zero.

Andrew Cartner: As that gathers pace and moves forward, and as spend starts to happen and come through the accounts, that will become more prominent in the performance report and we will have actual data on what we have spent against those Government commitments.

Q51 **Chair:** One of the challenges when we raise this with Departments is that they say, "Well, some of this is business as usual now." Net zero will become business as usual, but similarly to covid, sometimes there is a benefit to having a marker through. How are you balancing that judgment about when it becomes business as usual and when the Treasury needs to look materially at funding something now to make sure that you are delivering net zero down the line? So there will be an injection of funding—maybe not ringfenced, but a Department making a bid for funding to improve its net zero performance, which will then become business as usual.

Conrad Smewing: I might jump in on this one. This is one of those areas where other bits of Government reporting and Government publications, which we can link to and take headlines from in WGA, are most useful. The best place to look for that kind of account of net zero spending at the moment is the 2021 spending review, which has quite a detailed table setting out, by area—domestic, heat, transport and so on—what has been allocated. Further detail was set out in the net zero strategy that the Government published, and I would expect that to continue to be a feature of all spending reviews for the foreseeable future. This will be one where

Government reporting elsewhere is what we will repeat and link to in WGA.

Q52 **Chair:** Are there any other things that you are going to include in future accounts that we should keep an eye out for—any cross-cutting issues across Government or big changes coming next year?

Cat Little: We have had quite a lot, so I am hoping that we don't have too many new ones.

Chair: That is partly why I am asking it that way round. Continuity is important.

Cat Little: On the subject of climate change, sustainability reporting and international accounting standards for sustainability are a hot topic that we are doing quite a lot on. I know that the NAO and FRAB are also working with us on how we interpret that for the public sector.

Q53 **Chair:** It is important, of course, that that is international. Obviously, emissions in one country need to be measured in the same way as emissions in another. From the Committee's point of view, having looked at this over a number of years, it is getting to really quite a good place: there is continuity of information so that you can read across from one to the other. While we can always come up with a million other thoughts, we are aware that continuity is key. I don't know whether Simon Helps from the NAO wants to say anything?

Simon Helps: I think the key thing, in terms of what you report going forward, is the timescales. It is important to make sure you focus on what you want to be reporting in two or three years' time, given the timescales of the WGA and the need to commission Departments to make sure that that information is there. Whether it is following through on the cost tracker or something else, those building blocks need to be put in place now so that the WGA can harvest that information in future and pull it together.

Q54 **Chair:** Sir Geoffrey touched on OSCAR II earlier. To be clear, because the existing contract for that system ends this month, are there any risks to OSCAR II? Or are you absolutely confident that you can tell us here and now, Ms Little?

Cat Little: I might turn to Andrew, who is the SRO for OSCAR II.

Chair: Mr Cartner, is OSCAR II going to be all right? Are we going to have no further problems with it from now on?

Andrew Cartner: The system is a lot more stable. We have done a lot of work with our current supplier to improve it, which includes introducing a patch with a number of enhancements. What we have seen during the production of the '20-21 WGA and data gathering for '21-22 is a much more stable system. Of course, it is a system; you still do encounter issues. We have a process to investigate and resolve them as quickly as we can.

Q55 **Chair:** How significant are these issues? Are they tiny tweaks?

Andrew Cartner: They are minor day-to-day user things, but it is important to log them and review trends to see if that suggests anything. The contract with the current supplier is coming to an end. We have a procurement strategy—a commercial strategy—for replacing that. We have awarded two new contracts to a new supplier to manage it. We are in the process of transitioning to those new suppliers. That is going well. I don't foresee any risks within that.

Q56 **Chair:** How long will the new contracts be for?

Andrew Cartner: The new contracts for OSCAR II are for three years. While that is all going on, the other thing that is worth mentioning is that we are doing a system health check. The OSCAR II system is built on IBM infrastructure, so we are doing a health check of that system with them to see if that can suggest any other enhancements or improvements that we need to make—just so that we are doing belt and braces around the system.

Q57 **Chair:** There is an enthusiasm for OSCAR II in the Treasury, and probably on this Committee. You have already indicated that you were having discussions with some public bodies down the line. First, how are Whitehall receiving this? Are they all finding it useful and working it properly? How is it going down the line with all the other public bodies that submit through OSCAR II?

Andrew Cartner: I should say that the OSCAR II project is virtually complete. We have nine processes that operate across Government on OSCAR II, and they have all now gone live. That is a really important milestone, and we should acknowledge that Departments are using OSCAR II. The team, as I said earlier, whether it is WGA, forecasting or estimates, is working across Whitehall. They are doing webinars and training packages. So far, people are using it and there are no issues there.

Q58 **Chair:** Are they using all the capability of it? One of the key benefits is that if it works well, it is not just inputting data, but extracting information. Are they getting to that point now?

Andrew Cartner: We are extracting data. There is a project out there that shows spend by region, which we are working on with DLUHC. That is a specific project that OSCAR II has enabled, but there is a lot more we can do on that. As we move into the next phase of OSCAR, we have gone live with all the processes, but it is now about thinking, "Okay, we have implemented the system. What else can we enhance? Where else can we make better use of it?" Part of the improvement in that space is the data quality in OSCAR, which is continuous and ongoing. It is also about thinking about what other opportunities that gives us across Government.

Q59 **Chair:** I am sure some of you have visited the United States and seen what the GAO does there. It can produce a map, down to town level, explaining exactly where taxpayers' money is being spent. Are we anywhere near that yet?

Andrew Cartner: I think we have something quite similar for the project that I was talking about, where you can drill down by region and it will show you the average spend per head, what it is being spent on, and so on. OSCAR II has enabled that transparency.

We are discussing OSCAR II in the international community as well. At the OECD in March, we gave a presentation to delegates on our OSCAR II system. We also had a visit from South Korea delegates who wanted to understand it.

Chair: South Korea is learning from the British Treasury! There you go.

Andrew Cartner: Yes, they wanted to understand our OSCAR II system. Of course, it was reciprocal because they have their own system, which I think is called dBrain, and we learned from that as well. There is that international join-up going on, which is important.

Chair: It is a bold claim that the Koreans are learning from us, Mr Cartner—I hope we are learning from them, too. That is really helpful. Given that devolution is on the agenda of both the Government and the current Opposition, it seems to me that that is useful information. Let’s try to link that up with local audit in the end.

Thank you very much indeed for your time. We really enjoy our session on Whole of Government Accounts. We push you and challenge you a bit, and we are dismayed by the delay and the impact on decision making, though some of your answers have given me a bit of reassurance that there is not a huge hole in the line of information that is going through.

You will have registered our huge concern about local audit. I know you share it, but it is catastrophic, really; we have said that in previous reports. With local government finance the way it is, it is shocking that it is still in such a state, but we are heartened that although your influence is perhaps smaller than in other parts of the system, it is focused on that as well, Ms Little.

The transcript will be available on the website uncorrected in the next couple of days. We will produce a Report on this, but possibly that will tip into January because of recesses and so on.