HOUSE OF COMMONS

Public Accounts Commission

Oral evidence: Follow-up evidence session on NAO Main Estimate 2020-21

Tuesday 20 October 2020

Ordered by the House of Commons to be published on 20 October 2020.

Watch the meeting

Members present: Mr Richard Bacon (Chair); Clive Efford; Peter Grant; Meg Hillier; Sir Edward Leigh.

Questions 1-38

Witnesses

I: Gareth Davies, Comptroller and Auditor General, National Audit Office, Lord Bichard, Chair, NAO, and Daniel Lambauer, Executive Leader, Strategy and Operations, NAO.

Examination of witnesses

Witnesses: Gareth Davies, Lord Bichard and Daniel Lambauer.

Q1 **Chair:** Good afternoon, and welcome to this meeting of the Public Accounts Commission on Tuesday 20 October. We are here to discuss—with the Comptroller and Auditor General, Gareth Davies, the chairman of the National Audit Office, Lord Bichard, and the executive leader, for strategy and operations, at the National Audit Office, Daniel Lambauer—the recent update on the NAO's estimate, and one or two other matters. You are all very welcome.

If I may start the questioning with you, C and AG, the meeting we had in April was when lockdown had just started, and your audit teams were then working on the 2019-20 financial audits. Your latest assessment says that you expect the cost of financial audits to be higher than previously expected, and the costs of parliamentary support to be lower. At the same time, the cost of IT and offices are higher, but offset by significantly lower travel costs. Can you give us a flavour of how Covid-19 and the lockdown have affected the ways in which you are working?

Gareth Davies: Good afternoon. I will start with our financial audit work and then talk about our value for money investigation work and support for Parliament. Our financial audit work has increased in size mainly because the risks created by the Covid-19 response have necessitated more audit work in some areas. Quite a few audits have gone smoothly, but others have not, and we have particularly needed to pay attention to things such as year-end valuations of property. We have seen a big increase in the number of emphases of matter that we have had to include in our audit Reports, because valuers have reported material uncertainty, created by the pandemic, around asset valuations. We have had to work out innovative ways of getting the evidence we need from our audit clients when we are all working in lockdown. All of that has created more work, so that explains the change there.

Our teams have worked incredibly well, in the circumstances. We signed off 176 accounts before the summer recess. We will do another 100 by this week. We are expecting all the major Departments to be signed off by the end of November, with one or two pushing towards the end of that month. That is our plan at the moment, which actually, on behalf of the finance departments of Government and our own teams, is an extraordinary effort, in the circumstances.

On the value-for-money side, it has been a question of looking hard at our priorities for that work. We did some very quick reprioritisations so that we were able to do some short, sharp reviews of important parts of the pandemic response. Our list of work in progress now includes more than a dozen pieces of work specifically focused on the pandemic response, but we have been able to do that without letting go of some other really important areas of value for money. We are still looking at major infrastructure projects, and we are still looking at the Government's preparation for the end of the transition period and EU exit, and at things such as net zero, which is obviously a huge Government spending programme.

I am pleased that we have been able to strike that balance intelligently throughout, and our Reports on the detailed parts of the pandemic are now in front of the PAC. In the last couple of weeks the PAC held a hearing on the purchase of ventilators in the pandemic, it is soon to hold a hearing on the bounce-back loans scheme, and this week we are publishing our Report on the furlough scheme, so you can get a sense of the fruits of that work programme coming out quickly.

On our support for Parliament, it is only a modest reduction in the cost of that. That is driven entirely by the fact that the PAC and other Committees were meeting less frequently at the height of the pandemic. Actually, we are now back to two PAC meetings a week, so it is production as normal on that side.

Chair: You have raised a number of interesting questions there. Noticeably, if you are doing so many more value-for-money studies specifically in relation to Covid and its impact, there is other work that will not take place for a while.

Sir Edward Leigh: Richard, perhaps I could ask a question.

Chair: Yes. I was going to bring you in.

Q2 **Sir Edward Leigh:** All the businesses that I am talking to in London, particularly in the City of London, are viewing this as an opportunity to downsize, even when this Covid thing comes to an end—we know it won't be a clean end, because it will drag on for years. All the businesses that I know and am talking to are downsizing by selling their expensive office blocks in the City of London and trying to make money. You have an extraordinarily expensive and prestigious office block. Why don't you now consider having more of your staff working from home permanently? I suspect they can do it very well indeed. All the major banks are doing this—they are finding that working from home is extraordinarily efficient. Even in the long term, it is very unlikely that all their staff will work five days a week in the middle of London, so why don't you consider selling your very expensive office block? You could lead by example by moving to a cheaper place outside London, or even in the north of England, and saving the taxpayer a lot of money.

Gareth Davies: As you know, we already have an office in Newcastle, and we are seriously looking at all the options for the future. It is too early now to make a big strategic call like that before we fully understand both the long-term impact of the pandemic and, crucially, the impact on the NAO and our effectiveness at this way of working. We have done remarkably well in the last seven months in coping with this approach. As you say, we have actually discovered some efficiencies and operational benefits of working like this. There are some quite big downsides as well. Particularly when schools were not open, those staff with young children had to look after them and educate them at the same time as full-time working, which was a big challenge for them.

We are very concerned about our big annual intake of trainees. We took on 70 graduate trainees at the beginning of September. They have so far not set foot in the NAO building or met each other physically; all of their induction and early training has been done virtually. Whilst a lot of the formal learning of that approach can be done very successfully remotely, it remains to be seen how well people pick up the know-how of the job when they are sitting at home on their own and doing everything through the screen.

This is something that all the big accounting firms are thinking about as well. I think the area that we are all most concerned about is how we produce well-rounded, fully trained auditors who have been able to learn from experts and develop the skills that you would normally develop by working alongside them. It is not impossible, but there is quite a lot to think about.

The other practical point for us is that several predecessors ago, when the NAO first moved into its building on Buckingham Palace Road, they were wise enough to strike an amazingly good deal with Network Rail, which has our office on a peppercorn rent. We pay virtually nothing in rent for that property. As you know, as we have become more efficient in the use of space, we have sublet significant parts of that building, which gives us an income to offset the costs that Parliament otherwise has to meet. At the moment, that is quite an efficient operation. I would be reluctant to spend more on an office outside London than we spend on one in London, given its unique history and circumstances.

But You are right that it is a big strategic question for us, as it is for other organisations, and we are taking a close interest in how Government are approaching their estates strategy for the future. We need to be part of that conversation in the way you have described, and we will be looking at that and sharing our views with you in the next 12 months.

Q3 **Sir Edward Leigh:** I put my question in a rather confrontational way just to get a debate going. I think it is probably unlikely that you will want to move from that office—although whether you need a ballroom is perhaps problematic. It is a very grand place indeed, and it strikes me that there is a tremendous opportunity here for you to downsize in that building in the future, to have more people working from home and to sublet. Then you could really start to make a bit of money. Sorry, that is the end of my questions.

Lord Bichard: I don't think there is any way we will go back to the way we were working. Why would we, when so many of the changes we have made have worked so well? We have our working group looking at exactly the issues you raised, Sir Edward, and there will be opportunities, but we do not want to rush into that, because we do not want to end up with arrangements that are less efficient and cost us more money.

We led the way, in many ways, in having 110 staff in Newcastle, so we are entirely open to those kinds of suggestions, but the fact remains that most of Government at the moment is in London and we need a presence in London. I did not take your question as confrontational at all; we are not averse to this, and I don't think it will be very long, as I said to the Comptroller the other day, before we will be asked to look at the impact on banks and lenders of a downturn in the commercial market in London.

Q4 **Chair:** Thank you, Sir Edward. Lord Bichard, I am very interested to hear what you say. Having witnessed the entire refurbishment process of the NAO building, from the moment this Commission gave its approval to the thing being opened by one of my predecessors, Alan Williams, who was Chair of the Commission many years ago, I was a great fan of the efficiency and effectiveness with which the refurbishment took place. Having seen certain Government Departments, notably the Foreign Office, in a bid to try to look efficient, move out of premises overseas that were extremely inexpensive and move into less good ones that were more expensive, I think you should proceed with a degree of caution, and it is good to know that you are thinking about it.

The thing that concerns me most is something the C and AG said a moment ago about staff and trainees, because building a culture requires people to meet one another, and the culture of the National Audit Office is a valuable and important thing. May I go back to the C and AG and ask what plans you have to make up for that which you will inevitably have lost in these six months or so, or however long it is since those trainees were taken on, and those who have not met each other?

Gareth Davies: Let me give you a ray of hope on that question first. We always run a seven-week summer programme for interns, where we take people who are interested in what we do. It is deliberately focused on schools from more deprived areas to tackle issues of social mobility. It always gets a good take-up every year. This year we took 12 very bright people in their second year of university, with one more year to go. They spent the summer with us, fully remotely, the whole time spent in that mode, and it forced us to think carefully about how we induct people who have no idea about the NAO's work, give them a rich and useful set of experience, and make sure they are doing okay and that we catch any problems very quickly.

The feedback from them was the best we have ever had on one of our summer intern programmes, amazingly. Our practice at the end of that programme is to allow those who are interested in joining us full time once they graduate to go through our assessment centre. We did that again, and all 12 passed that assessment centre well and all 12 have accepted offers to join us next summer. That is the most successful such programme we have had. We worked very hard with them and with the people on our side who helped to make that a success, and to say, "How do we apply that to our 70 graduates who are joining us in September?" At the end of September, we surveyed our new joiners and, again, we had really positive feedback.

That is hard work, and good work on the part of the teams who are inducting and training these staff, but it shows that we have had to think carefully, as you say, about how exactly we are going to explain what the NAO is all about, give them a good idea of what it means to be a professional auditor and the specific elements of the NAO culture. We are working with them in big groups, in small groups and individually. We are giving them access to senior people on a regular basis, and again the feedback so far is very positive.

Now, after two months, it is too early to claim success on that, but I think it does say that this is not impossible. As soon as we can get people together, then of course we will, and we thought we were going to be able to do that, until just a few weeks ago. We had a plan to bring the trainees into the auditorium in Buckingham Palace Road. We were going to do it in three chunks, so that they were a manageable size and could be distanced, but we had to put that all on ice again once the restrictions tightened again. Obviously, as soon as we can, we will, but in the meantime it is working surprisingly well.

Lord Bichard: I met that group of interns. I thought they were brilliant. Actually, I was struck by the way in which they had nevertheless developed as a team. And I think that some of us who are perhaps a little older, dare I say it, don't use the technology as well as those younger people do. They gave me a very interesting hour.

The other point that I was going to make was that I used to run a university, and even then we were moving to a world of more blended learning—in other words, some of it would be online, but some of it would be face to face, so that people had the chance to do exactly what you are talking about. And I think that a lot of work in the future will be blended. I agree with you that it's good to meet up with your teams, but you don't need to sit with them all day, every day in order to achieve that kind of team feeling.

Gareth Davies: Can I just add another point? The other thing that we have had to transform is our internal communication. We can't rely on the chat in the corridor, or when passing somebody's desk, and so on. We have had to become just much more deliberate about our methods of communication, and this is another area where we are just not going to go back to the way it was before the pandemic, even if we are all back in the building more frequently.

I will just give some simple examples. We are running pulse surveys every two or three weeks, so we are getting feedback from our teams about what is and is not working on a much more regular basis than we were before. There was nothing stopping us doing that before, but the fact that we were together maybe made us slightly complacent about it, I think.

Q5 **Sir Edward Leigh:** Could I ask one question just on that last point? In the commercial sector, they are having to keep a very close eye on their staff; they are sitting at home. I know that we are not making any allegations against your staff, but how do you monitor that your staff are actually working full-time, flat-out, at home—actually keeping an eye on them?

How do you do that? Can you do that?

Gareth Davies: Yes. We are mainly interested in their outputs, obviously. The proof of the pudding for us is the fact that we have delivered exactly the level of outputs in published Reports that we were planning to, despite—we are at our pre-planned levels before the pandemic, and within that we have been able to adjust the programme in the way I said. So we have delivered for Parliament in that sense, and I have mentioned the delivery of our financial audits as well. In terms of outputs, we are where we need to be. Also, we obviously work on the basis of timesheets, so we know how many hours are being charged to the job.

To reflect the fact that some of our staff who I mentioned—people with young children who required home-schooling for the peak period of the pandemic—we created a disruption code for the time-recording system, so that they could be straightforward and honest about the time they had to take to look after their children, or whatever their other caring responsibilities might be. The use of that code peaked in April, as you would expect, and has come down every month since. Overall, there was an extremely modest use of that code, compared with the challenge that everybody was facing. There is good data that suggests productivity at the NAO has held up really well, and I am very proud of the efforts of the teams.

Lord Bichard: I just want to say—this is entirely objective—that I do feel that the way in which this has been managed at the NAO has been outstanding, and I have used it in other places, including one or two commercial organisations I have worked for, Sir Edward, as an exemplar. I think the communication with the staff has been outstanding. They felt supported, but they have never been under any impression that they could just ease off.

We've all got to remember, of course, that a lot of staff—in any of the organisations that we have been talking about—have been spending a lot of time commuting. That is time that they don't have to spend now, so in terms of available time during a day, they have increased the time that they have, to the point where, certainly in the business where I am a non-exec, we have had to insist on people taking some leave, because they haven't been doing that. I am very confident that we can maintain levels of performance—without spycams. I am actually very proud of what the NAO has achieved in this period.

Q6 **Chair:** Mr Davies, what impact has Covid had on staff turnover?

Gareth Davies: In a second, I will bring in Daniel Lambauer, who can give you some of the more detailed numbers, but just as a quick overview, we initially saw only a slightly reduced level of resignations. We expected that to fall faster than it did. Now the turnover levels are getting quite low, as clearly people do not have the number of opportunities they may previously have had. Hopefully there is also a positive factor in there—that the work is proving incredibly interesting and the organisation is developing in lots of positive ways. Daniel, could you give us some of the detailed numbers on that?

Daniel Lambauer: One of the turnover rates that we look at, and that we have discussed with you before, is at our audit principal auditor grade. That is kind of the vast majority of our colleagues, or a lot of them—we have around 230 FTEs on that grade. The turnover rate so far has been around 8% for that. You may remember we said previously that in previous years we had turnover rates around the 20% mark. So that is quite a significant drop. As for other grades, the director turnover rate is 2% and the audit manager rate is 2%; we usually see a turnover rate of around 5% for those grades.

Q7 **Chair:** Given that you are a training organisation and you expect a throughput, how do you calibrate how you alter your recruitment response to that change? You still need a throughput of people who are being trained, don't you? But presumably there must have been some impact on how many people you hire.

Gareth Davies: Yes. We have cancelled an external recruitment for qualified auditors that we had originally planned. We were going to go out to market for 12 qualified auditors around this time, but two or three months ago we cancelled that planned recruitment round, because we were confident that we would retain more than the usual number of qualifying trainees. That was actually a really good result for us, because we know that we have highly trained people who understand our work—more of them than we were expecting—and we do not have the job of training new people who may not be familiar with our work in quite the same way. That is one of the valves that we use to regulate the pressure caused by lower turnover.

Also, we have long had an ambition to use more of our financially trained audit staff on our value-for-money and other investigation work, and this situation is giving us the opportunity to do that in a more structured way. A problem in previous years was that we had to use them just on our financial audit work and it was not possible to divert resource in that way. So again that takes off a bit of the pressure on what we would otherwise have to recruit externally on the VFM side.

Chair: The Commission has received a letter from Alison Hood, chair of the National Audit Office branch of the PCS union. Peter, you had a question or two on that.

Q8 **Peter Grant:** Good afternoon, Mr Davies. The PCS union has raised with us a number of concerns about the existing salary structure in the NAO. It suggests, for example, that at some of the senior grades, male members of staff who have been there for five years are much more likely to be at the top of their salary scale than female members of staff who also have five years of experience at that grade. They have also claimed that within your corporate services team, who I understand do all the legal and human resources support services work, there has been no significant change to the salary structure for over 10 years, despite the fact that clearly the nature of the job has increased quite significantly since then. Clearly, we do not have time to go into all these issues now, but can you just give us a brief indication as to whether you recognise the issues that PCS is raising and what you expect to do over the next few years to try to address them?

Gareth Davies: Yes, of course. I will bring Daniel in to talk about the corporate services element, because that is his responsibility in the organisation, but I will give you an overall response first. We completely agree, because we are looking at the same facts as our union colleagues. I completely agree that we still have an issue about representation, at senior levels, of women. We are working hard on the pipeline of talented women at manager level and below, so that we can address that over the next few years. It will take three or four years to adequately address it.

To give you a flavour of the progress we are making, we have just promoted four of our audit managers to our director level in the financial audit service line. Three of those four are women; the other is a BAME man. In both respects, that is a big step forward. That will not be reflected in the March figures, but in next year's. That reflects the good work that has been done on the pipeline of talented people. A big chunk of this is equal representation at senior levels.

The pay issue also stems from the fact that through the years of austerity, the NAO has quite rightly pegged its overall salary increases to the general civil service level. We have seen increases of 1% or 2% at best over those years. That has made it very difficult to progress. Those staff who entered the grade in that period have not seen fast progression up the salary spine. If you compare them to people who joined a few years earlier, who had higher increases in those earlier years, there is a gap. Over the last few years, we have concentrated the available pot, small though it has been, on reducing that gap, so people at the lower end of the scale received a higher percentage increase in recent years than those at the top. Those are the mechanisms that we have for addressing a genuine issue.

I have seen the letter you received, and do not agree with the union that we have examples of direct discrimination on grounds of gender. I do not agree that you have two people starting at the same time, with the same expertise, who are paid very differently. This is more about the time at which people were affected by the very low increases in recent years.

Daniel, do you want to say something about corporate services, in particular?

Daniel Lambauer: First, let me explain how corporate services pay ranges work. As you rightly alluded to, we employ a wide range of different specialists in different areas—everything from digital, finance, communications and human resources. Because we are independent of the civil service, we always try to look at benchmarking what the market rate would be, roughly, for the various skills. We cannot always pay what private sector companies pay, obviously, but we are trying to recruit relatively good talent in the market.

That explains how, over the years, a wide range of individual jobs were graded, based on the market. I think it is an asset for us, because we can be an exemplar organisation in a range of areas and provide the service that you rightly expect from us.

Having said all that, we agreed with the board that we are looking particularly at pay discrepancies—one of the questions that the unions put to you. There is an explanation behind that as well. We have been working very hard to ensure that we have a good, diverse talent pipeline for the corporate services director grade, and that depends on the feeder grade for that. We have been quite successful in increasing the proportion of women in that grade. For example, in 2016, we had 33% female, and in 2020 we have 60%. As the Comptroller and Auditor General has just explained, they start at a lower pay range, when they get promoted. That explains some of the discrepancies, but it does not explain all, which is why I want to look at this again.

Lord Bichard: I would say on behalf of the board that we have taken this issue very seriously. We push back, as the Comptroller knows, on gender pay equality, and we ask for further reports on what we could do to address that issue. We are satisfied that we are now doing everything that we possibly can. I do not think that all of us are satisfied yet with the outcomes, but, as Daniel has just been saying, five years ago, we had 62 directors, and more than 70% of them were men. By December, 60% will be men, and that is a progression that is still under way. I think we are making significant progress, but we are by no means complacent, I can promise you.

Q9 **Peter Grant:** I fully appreciate the fact that—especially if you are based in London—you have to compete with a lot of the big financial institutions for good, qualified and experienced staff. Is there a danger, though, especially now, when the economy is likely to be depressed for a number of years, and employment opportunities will not be as good as they were previously? Historically, when that happens, people lower down the salary scale tend to get left behind. We very often see that the top tiers of management in the really big businesses continue to do okay, but the people at the bottom of the hierarchy do not do nearly so well.

Is there a danger that if you have to compete with these businesses for staff, you will end up adopting some of their practices? Whereas the push in most of the public sector is to try to narrow the pay gap between those at the top and lower levels of the salary scale, if you have to mirror the practices of the big financial firms too much, we could see that gap start to widen again during what is likely to be quite a lengthy period of economic inactivity.

Gareth Davies: Yes. I am absolutely determined that that will not happen at the NAO. Actually, we expect to be in a strong position in respect to our private sector competitors in the immediate future. In the posts that we have recruited to externally, we have had incredibly strong applicant lists, reflecting the weakness of the job market in the private sector at the moment. In the short term period, we do not think that will be a pressure point.

Even when that pressure does come back at some point in the future, our approach will be to make sure that we have closed these gaps and not widened them. The approach I described over the last few years of using the available resource to increase pay at the bottom of the scale more than pay higher up will continue. We are obviously thinking about next year's pay increase. That will be a subject for a future hearing with your Committee, but our principle, coming into that, will be to close those gaps—if we can increase our pay at all in the economic environment that we face at that point then we will use that entirely to close the gaps. So that's the approach I can take.

The proof of the pudding is in the action that we have been taking in recent years. For example, I oversaw for the executive team in the current year an average increase of 1.3%, which was lower than the 2% for the office as a whole. That is with one post fewer as well. I have reorganised the team so that there is one post fewer in the executive team, and the cost of that team overall has gone down. If we start losing our best people to the private sector, we will need to pay close attention to the reasons for that. At the moment, we think we pay at a very fair level, and, as we always say in these conversations, the pension arrangements at the NAO are more generous than most of our private sector competitors'. That is another factor that makes us attractive to good people.

Lord Bichard: One of the most encouraging things that I have heard in the last six months—I am sure he will not mind my saying this—was that one of our very best people, Stephen Smith, whom we recruited in from the private sector, and who had to leave us for health reasons in the end, said that coming to the NAO was the best thing he ever did. He said it was the most stimulating job he ever did. We wanted to go round and tell his former colleagues that, because a lot of people in those organisations have a sense of public service. I understand you are quite right that finance is a big driver, but it is amazing how many people you meet who come to the NAO because they really feel it is a job worth doing, and we can offer that big time.

Chair: Meg Hillier, you wanted to ask about digital and knowledge systems.

Q10 **Meg Hillier:** Thank you, Chair. I am aware of the time, so I will be as brief as I can be. Mr Davies, you have come in as the new C and AG. You came to lay out your strategy, and you asked for extra money this year to pay for a digital transformation of how you work. That was a great plan then. Obviously, we have had Covid since. Have you managed to keep on track with that spending, or has some of it been siphoned off to deal with the immediate emergency?

Gareth Davies: No, we haven't done that. We have needed extra money to pay for equipment for home working, and to strengthen our digital security, because our system was not designed for everybody to be at home every day. The money for that has come from the savings in travel and subsistence costs that we have made this year. We have not had to raid our investment budgets to cope with the home working costs.

We are broadly on track with our spend on our audit modernisation programme. As you will remember, we asked for £2 million a year for the next three years, and we are well into that programme now. We are a matter of two or three months behind our original plan because of clearly the impact of lockdown. We have had to talk to potential suppliers; we had to work out ways of doing that that didn't involve the normal beauty parade in the offices. There is a small delay in the timetable, but no delay in progressing the overall aims of the project. I think we are on course to use the full £2 million this year, and on track to deliver the project within the three-year timetable.

Q11 **Meg Hillier:** Have there been any particular impacts of digital audit yet, or is it too soon? If it is too soon, when are we going to see the first benefits?

Gareth Davies: Well, not from the main programme, because that is designed to replace our methodology and software platform. That will come through in year 3. There is obviously a lot of preparatory work—distance development training and so on—before we are ready for that. In the meantime, we have a very talented set of digital audit experts who have been developing individual tools, which our teams have been testing and using.

We have been able to download data directly from our biggest clients this year for the first time using something called the AIMS system. It still needs more development work, but it has automated the process in a way that we have not been able to before. That has allowed us to deploy some of the digital audit techniques—whole sample size testing, and so on—that our whole methodology will be built on in two years' time. Our staff are getting experience of using that and working out when it is most and least useful, but it will be two years before our work is entirely on that basis.

Q12 **Meg Hillier:** You mentioned AIMS. In terms of the wider programme, will Government Departments and other bodies that you audit have to change their software to be compatible? Is there a cost to them?

Gareth Davies: Actually, that is the reason that AIMS needs more development. Our larger clients can cope with providing us with data in the form that the system requires. We have found that it is over-engineered for our smaller clients, so we need a simpler system—

Q13 **Meg Hillier:** Can you give us an example of what you consider to be a small client and the challenges?

Gareth Davies: For example, we are already using AIMS in the BBC—a gigantic organisation with many complex systems—and it is geared up well for that. If we are talking about an individual museum, for example, or a small trading operation linked to a Department, it is over-engineered for that purpose. We need something that can cope with a variety of different systems at the client's end, but easily, and without creating a lot of work for the client when they transfer the data into our system. That is the next phase.

Q14 **Meg Hillier:** Finally from me, you have recruited a new Head of Knowledge. What difference will we see in Parliament, and what will the public see from that person's role? What are they doing so far, and what are the plans for their role?

Gareth Davies: I remember explaining to the Commission at our last discussion that our ambition around knowledge was to not just keep producing hard-hitting Reports on individual projects, but draw on the learning from that across different Departments. You have seen some of the fruit of that in what we published on the learning from all our Brexit Reports a few weeks ago. We have another one in the works at the moment, which is learning on major projects. It is well-trodden ground, but rather than rely on individual project Reports to make the point, we are drawing that learning together separately.

What our Head of Knowledge is doing, apart from facilitating those kinds of exercises, is working deep in the plumbing of the organisation to make sure that, as we are recording our work, we have easy ways of extracting what we are learning from it. It is all our work, including our financial audit work. That can then create new insights that we have not spotted so far. It is easy enough to pull together everything we know on Brexit, but the insights from multiple audits of large organisations that have things to learn from each other - he is working on how we codify our findings and extract those more efficiently.

Q15 **Chair:** Thank you, Mr Davies. I would like to turn to the question of local government. Obviously, the Covid pandemic has placed huge strains on the relationship between central and local government. Local government is often the delivery vehicle for what central Government is insisting on. Local government has often had to draw on reserves and take the initiative. It has offered support in all kinds of ways that are locally suitable, and all that costs money. You have a recent history of doing a suite of studies on the sustainability of local government finance, but this presents a whole new layer of difficulty and complexity, and indeed questions of sustainability. What work are you doing on that, and what do you think the impact of the pandemic is on local authorities' sustainability, financially?

Gareth Davies: I completely agree that the pressure is unprecedented. Two things: we are doing a direct piece of work on the impact of the pandemic on local government financial sustainability. We are also building an evidence base from the individual pieces of work that I mentioned earlier, many of which include the local authority dimension. For example, we are producing work on the shielding programme, which was a centrally run programme initially but very quickly became very closely linked to the activities of local authorities and civil society in each area. We are looking at the impact of the homelessness initiative, which dealt with rough sleepers at the peak of the pandemic. Now we obviously have the question of what a sustainable future is on rough sleeping. All of this has budget implications for local authorities.

The big one, of course, is social care, and the impact of what has been happening not just on care homes but on broader social care budgets. We are looking specifically at the adult social care market and what is happening to prices and the availability of suppliers. Lots of private suppliers to local authorities are being pushed to the edge of viability. Putting all of that together, I think we will get a rich evidence base for what is happening to local government finance.

Lord Bichard: I think we are also going to have to look at, as I said to Sir Edward earlier, the commercial property market, because we have a lot of local authorities now that have invested heavily in the commercial property market. It may not be as clever in the future as it looked then, and I think that is a real worry.

Q16 **Chair:** That is a very interesting point. I can think of local examples myself. Mr Davies, do you have particular examples that come to mind of where central and local government have worked very well together or, indeed, where they have worked rather more poorly together?

Gareth Davies: I mentioned the rough sleeping initiative. I thought that that was a very interesting example of a big priority. It was executed extremely quickly and efficiently, and it involved close co-ordination between central and local government. It shows that if there was a will, and the funding to back it up, a very long-standing problem was fixed very quickly, albeit on a temporary basis, and took people out of harm's way almost immediately. That is not the same as saying that putting people in hotels is a long-term solution to rough sleeping, but it illustrates the power of making something a genuine priority.

At the other end of the scale, I am stating the obvious in saying that the roll-out of the whole public health response since the initial phase of the pandemic, including testing and tracing and the door-to-door public health response that is needed in a pandemic, has taken a long time to establish a good link between a centrally driven function that had to be created almost overnight and the public health arrangements embedded locally. We are in the middle of some work on that, and I will not pre-empt findings that we have not yet reached, but that has clearly been a much more problematic area that is hugely important to the overall success of the pandemic response.

Lord Bichard: I am not going to talk about public health, but at the heart of some of the problems is data sharing. I think we have still not in this country got that quite right. We have focused almost entirely on data privacy, whereas if you want different parts of the public sector to work effectively together, you have to share data responsibly. We need to give a lot more attention to that in the future if we are going to get the kind of collaboration that you are talking about.

Chair: Thank you. I think Mr Efford had a couple of questions on test and trace.

Q17 **Clive Efford:** I have, on the NHS. I know you have a Report that is due this winter. I do not know whether that is this side of Christmas or beyond, but have you made any assessment of whether improvements to the system are being made, and at the pace that we need?

Gareth Davies: Not yet. That is exactly one of the issues that we are looking at. Like our other pieces of work on the response, we are looking at what has been created, what has been spent, what approach has been taken to the central-local axis that we have just been discussing, and how learning on what has and has not worked has been fed back into the design of the approach. That is exactly the approach that we are taking to this work. We are aiming to publish it before Christmas. We see this as a two-part piece of work, with an initial Report on the first phase of the pandemic—what has been learned and how it is applied—and then a more rounded assessment of value for money later in 2021.

Q18 **Clive Efford:** Have you done any comparisons between the different systems that exist in the different countries of the UK—Scotland, Wales, Northern Ireland?

Gareth Davies: Where there is data to do that, we are doing that. We are also looking beyond the UK as well, because clearly this is a shared problem around the world. Where there are insights from other countries, including the other countries in the UK, we will use that in the Report. We are doing exactly that, actually, in this week's Report o the furlough scheme, which looks at how other countries have tackled the same challenge of supporting jobs through the pandemic. We will bring that international perspective into this work too.

Q19 **Clive Efford:** There is an argument raging at the moment between public and private, in terms of Track and Trace and how effective it has been, and how much more effective it could be if it were controlled and organised at a local level. Will you be able to examine that, and the success of bringing in a company that does not necessarily have a lot of experience in this field? Has that undermined the effectiveness of the system?

Gareth Davies: We will be taking the same approach as we do to all our work, which is evidence-led. We will look at the key value-for-money questions. What were our objectives? How successfully have they been achieved? What has been spent? Has that been spent with value for money? We do that regardless of the mode of delivery or the sector of delivery. We don't come in with a view on what should have been done; we look at the evidence of what has been done. If that highlights that there has been poor performance in the private sector, we will say that; if it shows the opposite, we will report that. The strength of our work is that it is evidence-based, and it helps shine a light on some of these, as you say, very controversial issues. I think we successfully do that. People realise that we are coming at this from an independent, evidence-based perspective, and that strengthens the impact of our recommendations. We will report without fear or favour on what we find.

Q20 **Clive Efford:** May I move on to the NHS? Do you think that the NHS has the governance it needs to make the best of its resources and the people it has in its operation? Is it really set up to deal with not just what it would normally be handling as we go into winter, but the additional burdens that Covid has placed on it? Has it had the governance in position to cope with all that?

Gareth Davies: The Chair mentioned that we have reported regularly on local government financial sustainability; we have done the same on NHS financial sustainability in recent years. We have been very challenging, actually, of the approach taken, which allows individual trusts to build up very high levels of debt, for example, and of the struggles to make the system joined-up at a local level. We've made those points in recent years.

Clearly, in the pandemic we have seen some astonishingly effective responses from the NHS to aspects of the demands that have been placed on it in extremis. Again, we give credit where it is due for that. There is a big challenge here; the service was moving in a strategic direction towards more joined-up local co-operation across provider trusts and between providers and commissioners. Actually, that approach has not been evident in the very intense phase of the pandemic—it has been much more down to individual hospitals to manage the demands on them. I think there is a big strategic question about whether the approach that the NHS was developing for its future, before the pandemic, is still the right vision.

Clearly, that is a policy question, not one for the NAO, but our work will hopefully shed light on useful evidence to feed into that process.

Q21 **Clive Efford:** This is definitely a secondary issue at a time when you are dealing with a crisis, but how do you ensure value for money when you are expanding at such a rate?

Gareth Davies: Clearly, it still matters intensely, if you are going to get the benefits you want from the investment. We reported in February on the staff shortages in the nursing part of the NHS workforce. That remains a massive challenge. The Government have committed to increasing nursing numbers, but it is a huge challenge, as turnover is high at the same time as you are recruiting. That remains a central challenge: making sure that a skilled workforce is in place to cope with the levels of demand.

In overall capacity, the NHS is in a stronger place than before the pandemic, with its emergency capacity available. The big challenge now is how it deals with the waiting lists that have built up in really important areas of clinical need, while managing the second spike in coronavirus cases. There are very well-developed plans around the country for dealing with that, but they are obviously going to be tested.

Q22 **Clive Efford:** Are there areas where things could improve in terms of co-operation across the NHS—in geographical areas, between different sections of the health service and particularly a link between social care, which is not directly run by the NHS, and hospitals? Are there areas of improvement that we should be looking at?

Gareth Davies: Yes. Again, we have a big body of recent work on NHS and social care integration. We were quite critical of progress when we last reported on that. It is interesting that at the height of the pandemic, a lot of people on the frontline of that interface were saying, "All the boundary issues have fallen away because we are just getting on with it together, to solve this urgent problem facing people in our area."

The question is how you avoid those bureaucratic boundaries creeping back in again once the urgent pressure is off. That is clearly still a very open question, but what the pandemic has shown a lot of practitioners is what they can achieve when they genuinely co-operate and activity is directed to where it is best dealt with, rather than by whose budget it sits under.

Q23 **Clive Efford:** You mentioned the huge backlogs that have built up in non-Covid areas. Are you confident that the NHS has the capacity to deal with that? Does it have the capacity to address that and are there plans in place to do so?

Gareth Davies: Those are the questions we are asking of the leaders of the NHS and the Department of Health and Social Care. I can't give you an affirmative answer on that at this stage, but our work will help shed light on exactly that question.

Q24 **Clive Efford:** What about the lessons learned? We potentially have a huge vaccination process that has got to be put into action. Do you see the evidence that there is the capacity in the NHS to be able to manage that and deal with it and roll it out rapidly?

Gareth Davies: You're right to point out that the vaccination challenge is in two big parts. There is the research and science effort that is going on at the moment to identify a successful vaccine, then there is the logistical exercise of rolling it out to tens of millions of people as quickly as possible. We are looking at both parts of that process at the moment. We have work under way and we are hoping to publish the first part of that in December, where we are looking at how the effort to develop the vaccine is being co-ordinated. Obviously, lots of really innovative approaches are being taken and lots of public money is at stake, of course, so we are looking at that.

Then, crucially, there are the nuts and bolts of distributing the successful vaccines. There are big challenges there. You will have heard the people responsible for this describing those—because they don't know exactly which vaccines are going to be successful at this stage, they can't be absolutely sure about the mode of delivery, what temperature things will have to be stored at, how quickly they can be used before they go off. They are having to prepare different contingency plans for all those really practical questions. Again, our work that we will be publishing in December will shed more light on that.

Q25 **Clive Efford:** Are you confident that the Government are putting their shoulder behind all that and making sure that the resources are available and that preparation is being got under way?

Gareth Davies: I think that is a question for the Government rather than for us. I think our work is helping paint an independent picture of the evidence across the board. On the vaccine thing itself, it has clearly been a huge priority for the Government, with funding and people appointed to senior roles to drive it through, but that is obviously for the Government to answer directly.

Q26 **Clive Efford:** One last question that I want to ask is about the tendering that has gone on during the Covid crisis. It seems that there are a number of corners that have been cut at times. Some of that may have been necessary, but it does seem at times that people who have very little historical experience, or companies that could be described as shell companies, have been given quite substantial contracts. Is that something that you will be looking into?

Gareth Davies: Yes. My answer to all your questions is: we have a piece of work under way. We are reporting in the next few weeks in that case. There is one on PPE specifically—how PPE was procured and supplied to the NHS and social care. Another one is on Government procurement in the pandemic more generally. In that one, we are looking at exactly the question you pose. Everyone understands that you do not have the luxury of time to do the normal competitive procurement round and invite bids over a few months when you have a desperate need, as we did, for PPE. You definitely have to do something different. The question is: how were those judgments made, did any of that go too far and what lessons have been learned for future emergencies? We are doing a piece of work specifically on that question.

Clive Efford: I will look forward to reading that. Thank you very much.

Chair: Meg Hillier, I think you have some questions around the total levels of expenditure, the impact and the lessons learned.

Q27 **Meg Hillier:** Actually, I think the Comptroller and Auditor General has answered some of those points in response to Mr Efford. Obviously, the amount of money that has gone out is eye-watering. Mr Davies, you have highlighted that you are doing some work to look at what lessons can be learned, but what are the biggest risks? We in Parliament voted through pretty draconian powers for the Government. Do you think the Government has gone too far the other way in any sense? What are the biggest risks now as we go forward, given what you have seen happening so far and what your teams have been looking at so far?

Gareth Davies: We have been very careful in the approach we have taken to not sit there with the benefit of hindsight and judge people against the counsel of perfection in this situation. Clearly, a completely unprecedented emergency needed an amazing number of emergency responses, so we have tried to take reasonable judgments about what we could expect to be done in these circumstances and to give credit where it is due for some really impressive major programme delivery in a very short space of time.

What this has shown—of course, this is with hindsight—is that our contingency planning as a country was not helpful in this situation. It was designed for an influenza pandemic, and lots of that proved inadequate for what we have had to deal with. There is also not enough economic contingency planning. The schemes that the Government has developed very quickly—in the case of the furlough scheme, it has been very effectively rolled out—had to be developed from scratch, not from a set of plans that could be picked up, tailored and rolled out. That has been a major piece of learning here. We need much more effective contingency planning arrangements, but the NAO was not saying that loudly before the pandemic, so I am not claiming any more foresight than anybody in Government on that question. But we would be foolish not to learn—that is my big conclusion.

Secondly, as I said in answer to Mr Efford, we will learn which bits of the speed and efficiency were necessary and would need to be replicated in a future emergency. Where have we learned that we need stronger controls in place, even in an emergency situation? Again, we will shed a lot of light on that. But the overriding message will be extracting the learning from this sufficiently and as quickly as possible, so that we can be better prepared next time.

Q28 **Meg Hillier:** Thank you for your contribution to that. This is extra work for you, so either you've got to have more money or you've got to drop other things. How are you juggling the priorities at the NAO to make sure that the business as usual is not so badly affected as we all race after Covid issues?

Gareth Davies: First, I pay tribute to my teams, who have been incredibly flexible and worked incredibly hard at times to turn around urgent pieces of work to a high standard. We could not have done this without that commitment and skill on their part. We have had to pause some pre-planned pieces of work to make room for the kinds of exercises that I have been describing. For example, we had an important piece of work under way on maternity services in the NHS. Clearly, that was not the time to go around maternity wards—the peak of the pandemic—so we have put that on hold. We have not yet made a decision about picking that up and, if so, when. It remains a crucial service for many people, so at some point I am sure that we should return to that and we have a methodology clearly ready to go when the time is right. We have other examples of that kind, and then there are some that we did put on hold initially, but we have been able to restart and complete.

When I stand back from it, I am pleased we have been able to report on non-Covid areas like superfast broadband and the lessons for the next phase of improving broadband. We have looked at the restoration and renewal of Parliament and highlighted the risks that need managing for the early phases of that. So we have been able to tackle big VFM risks across Government, while also responding to the pandemic. As I say, I am very grateful to the teams for the way they have been able to do that.

Lord Bichard: We also need to be careful not to put Covid-19 and the work we are doing on it in a box marked "pandemic" and forget about it. Government are actually very prone to do just that. We will be learning things about Government through the pandemic. There are lessons to learn from the way in which we have succeeded in some parts or failed in others that are relevant right across Government. We talk a lot about project management. We talk a lot about the need for delivery skills. I think those issues will be very high on the agenda in our Reports on Covid. We should not just think that the conclusions only relate to Covid; they relate to Government as a whole.

Q29 **Meg Hillier:** Certainly. As Chair of the PAC, I see that in much of the work coming through, in terms of major projects. My final question for the Comptroller and Auditor General is, should we expect a bid for more money from you at the beginning of the next financial year to cover some of these costs? You have covered some of that, but I just wanted to be categoric on that question.

Gareth Davies: At the moment, I am hoping that I can come to ask for the second year of the three-year plan that we discussed with you back in the spring. That still looks to us like the budget that we would need to deliver our strategy and to meet the requirements of Parliament for 2021-22. I do not want to commit completely at this stage, because there is a bit of water to go under the bridge before then. But our overall plan at the moment is that that is adequate to invest in the priority areas that we discussed with you last time. We have a programme of work already designed for 2021-22, which balances the issues we've just been discussing within the available resources.

I am hoping that the competitive pressures on us from other organisations interested in our staff will be easier to manage next year given the overall position of the economy. In that sense I hope that we can accommodate the ambitions that we have within the level of resources that we already have discussed. If you will forgive me, I want to come back with a fully argued budget in the spring, rather than sign up to that right now.

Meg Hillier: Fair enough. A good try by me, and a good try by you to ensure you are keeping the door ajar there.

Q30 **Chair:** Thank you, Meg. Mr Davies, I want to come on to the question of ministerial directions, but first something that was prompted by the earlier discussion. I recall some years ago the Public Accounts Committee did an inquiry into the expenditure of £424 million on Tamiflu, which was a drug that was supposedly going to help with pandemic flu. I think over £70 million of that expenditure was definitely wasted when the drugs had to be thrown away because they were not stored at the right temperature, so they did not know whether they still had efficacy.

However, there was a broader problem, which was that there was no consensus over the extent to which Tamiflu worked—how well it worked—and, in particular, whether it reduced complications and mortality. The point was that discussions over those issues among professionals were hampered because important information about clinical trials was being routinely and legally withheld from doctors by manufacturers. That Report, HC 295, published on 3 January 2014, was called "Access to clinical trial information and the stockpiling of Tamiflu". Obviously, we are still at an early stage in the production of potential cures and vaccines, but will you be using the evidence in that Report to inform and compare the situation we have now with the one we had then, as well as the work of the AllTrials campaign, which is trying to make sure that all trials of all uses of all drugs for all possible applications are publicly known about, certainly where anything is publicly funded?

Gareth Davies: On your question about our previous work, in answer to Mr Efford, I described the work that is under way to look at the vaccine programme that is currently being managed. The team responsible for that work has that previous NAO work and has access to all the detail behind it, and is using that as part of its background understanding. Clearly, we are now dealing with a very different animal, with a huge national effort focused on the search for the vaccine that is part of a huge global effort, as you know. It is a different situation, but those principles actually are still highly relevant. I mentioned earlier the need to be very clear about how you store and distribute each type of vaccine because they have different needs to make sure they are effective once they are administered.. We will be looking at all of that.

Q31 **Chair:** And also where the intellectual property sits. I am thinking of the privatisation of QinetiQ: a completely different issue, but public funding that produced enormous private profit because the Government had not covered its own back properly. With this unprecedented amount of public funding going in, presumably those issues are that much more alive to you.

Gareth Davies: They are, and they are right at the centre of the work we are doing at the moment. Without making light of a hugely important topic, the Government is having to make very careful judgments through the taskforce it has established about where to place bets with public money. As the chair of the taskforce has said repeatedly, there are no guarantees when you are developing vaccines, and you can be pretty sure that not every piece of trial work that is under way will develop an effective vaccine, because that is not the nature of that process. The question is how well those decisions are being made, and the central reason why the Government created the taskforce is to ensure that leading expertise was deployed on making those investment decisions. We will be looking at that in our current piece of work, and reporting publicly. As I said earlier, that then flows through into the questions about effective distribution in the way that I described earlier

Q32 **Chair:** Thank you. I would like to ask you about ministerial directions, because the Institute for Government has drawn attention to the fact that the coronavirus pandemic has led to a big increase in ministerial directions—that is to say, for the benefit of our viewers, instructions to civil servants to proceed with the expenditure of public money despite their misgivings. I have a list of some of them in front of me: they vary from the coronavirus bounce back loan to urgent spending to maintain transport services, and one that caught the headlines, the eat out to help out scheme, where HMRC wrote to Ministers to draw attention to their concerns. Is this inevitable? Should we be concerned? Could it have been avoided? You are directly involved as the C and AG when a direction is made, so what are your thoughts on this?

Gareth Davies: Yes, we are copied into the direction as it is made, as is the Public Accounts Committee. I would make two or three points on this.

First, it is inevitable at a time like this that the direction process is more heavily used. The sheer scale and innovation of the responses requires that, and we have actually seen it doing its job in some respects in these cases: civil servants have carried out a properly diligent exercise, assessing value for money in the time they have available. Normally, that time was insufficient to be able to get proper assurance, so they have reported that publicly, which I think is how it should happen. Ministers have then quite rightly taken a view that only Ministers can take, which is "What's my policy here, and how do I weigh up two competing demands: on the one hand, the need to respond to the pandemic, save jobs and save lives, and on the other, the need to look after public money carefully?" There is no textbook answer to that. Only an elected Minister should be taking that view, so it is correct that it works like that.

If I were to look for areas of improvement, some Departments have been better than others at getting their directions into the public domain promptly. Accounting officers have been learning quickly—because this is an unusual concentration of them—how long commercial confidentiality applies in these situations, for example. Our advice has always been to get them into the public domain as quickly as possible, and I know that has always been the view of the Public Accounts Committee. Is it a surprise that we have had more than usual in this period? Absolutely not.

Q33 **Chair:** Do you think that, in light of the sheer number of them, the NAO might end up doing a specific or a bespoke piece of work on it?

Gareth Davies: In a way, we are picking those issues up as we look at each of these schemes. We reported in the past couple of weeks on the bounce back loan scheme and we dealt with the issues raised in the direction as part of that Report. I think all those things will get NAO attention case by case. So far, we do not have a plan to look at the eat out to help out scheme, because it is not material compared with the size of some of the other schemes, but that does not mean that we will not in future. In terms of the scale of money involved here, there will be a detailed NAO view on all the significant ones.

Q34 **Chair:** The timing of the start of the pandemic and the Government's responses have meant that many end-of-year Government accounts have had to include new assessments of significant additional risks and liabilities. How satisfied are you with the way in which the Government have gone about assessing and quantifying those?

Gareth Davies: I think the finance teams, working with the audit committees of Departments and arm's length bodies, have done a good job here. We produced a guide for them in the summer—fairly straightforward but quite useful, I think, for many of them—that distilled the questions that the audit committee should be asking about exactly those questions: the estimates we have produced and the impacts of the pandemic on the reliability of those estimates.

A good example that affects many organisations is the collectability of debts. If the people who owe you money are now in financial dire straits, you need to impair those amounts in the accounts at the year end. We have helped audit committees and finance teams to think through that and aimed to help them to get consistency through our contacts with them in that. Obviously we would not sign off the accounts until we were satisfied that there was adequate evidence to support the estimates they were making, so by and large I think they have done a good job on that.

Q35 **Chair:** Of course the estimates are just that—estimates—and the reliability of those estimates will change over time as events unfold. There is a big question of management and monitoring as you go along, isn't there? Do you have particular concerns about how that is being done in different Departments?

Gareth Davies: No, I think there is probably an issue about whether the annual reporting cycle is adequate for something as volatile as this. The disclosures in the annual report and accounts of Government bodies have been quite good at explaining the approach taken to assessing the level of risk, but clearly, they come once a year. There is an interesting question about the public accountability and public assurance on how well those things are being managed between annual reports. Normally, there is not enough volatility for that to be a problem, but in this climate, it is more challenging. In the private sector you see interim results and special announcements as necessary, but that is not a feature of public accounts.

Q36 **Chair:** That is a very interesting point, because you can extend the accounting deadline, as has happened, so that presumably they have more time to evaluate and get a more accurate answer, but you cannot keep doing that forever. In the meantime, taxpayers and Parliament need to know what is going on. What is your solution? Should we have a more formalised system of interim reporting, or what?

Gareth Davies: That is an interesting question.

Q37 **Chair:** Are you discussing it with the Treasury?

Gareth Davies: Not in the way you have formulated it. We are looking at the transparency of financial information between year ends. For example, given the scale of spending on the pandemic, we have started a running Covid cost tracker on our website. It is the first time the NAO has done anything like that. Every few months, we update the information on that cost tracker, to summarise in some detail what has been committed to the various schemes, adding up to £210 billion at the moment. That is an innovation that we have felt necessary, given the speed at which spending decisions were having to be taken in this situation. That is an example of the step towards the issue that we are discussing, but clearly there would be significant resource implications for Departments and arms' length bodies if they were required to produce interim accounts and so on. Does their value outweigh the cost? That would need to be debated, but it is a really interesting question.

Q38 **Chair:** You mentioned the sheer quantum; £210 billion is a great deal of money in anyone's language. Of course, in our discussion of directions you rightly acknowledged that things have to be done more quickly, and perhaps not with the degree of process thoroughness that you would have in normal times; but in your assessments what account are you taking of contemporaneous warnings that may have been given at the start, particularly in relation to things like fraud? I remember very clearly being party to a conversation in which a local council leader was warning how surprisingly easy it was to imitate or purport to be a commercial entity or a limited company that is registered at Companies House. There was so much public data that you could quite easily purport to be that entity, even though you were not. These were contemporaneous warnings, which were being issued in March as the Government was revving up what it was going to do and thinking of its response. Will you be trawling through that to see what actually was publicly available—what warnings were made?

Gareth Davies: We have already done that in the case of the bounce back loans scheme. Our Report on that from two weeks ago goes through the sequence of events. Actually, the warnings also came directly from the British Business Bank, in that case, which had some independent research done very quickly to assess the risk of fraud for what was being proposed. That featured in their letter to Ministers setting out their reservations—essentially saying, "We can't apply our normal controls on fraud if we are required to issue these loans at this speed, or if the banks on our behalf are required to issue the loans at this speed." Sure enough, that is what happened, but, again, it goes back to our discussion on the accounts directions. That was laid out in those directions. Ministers considered that, and then *[Inaudible.]* was even more important than preventing that level of fraud; so it just shows how difficult these judgment calls were at the time.

Of course, the other thing that tells you is that we need a better system for getting money to businesses fast in an emergency, that is better controlled. How do we do that? But at the time those judgments had to be made on the information available. I think the challenges you are describing are being flushed out by our work, and by the direction process. As I said, in answer to an earlier question, the real problem here would be not learning from this experience, and not being better prepared for future emergencies, even if they are very different from this one.

Chair: Mr Davies, thank you very much for your time—and that of Lord Bichard and Mr Lambauer. This has been a very illuminating session. We thank you very much for the tremendous work you are doing. You are obviously facing considerable challenges, which, from the evidence we have heard today, it sounds like you are rising to very well. We look forward to your further Reports on Covid, and on broader matters, but this session has now drawn to a close. Thank you very much indeed.