

The Chartered Institute of Internal Auditors' Response to the Department for Business and Trade Late Payments Consultation

Consultation Questions and Answers

Measure 1 – audit committees and board-level scrutiny of large company payment practices

- **Q9a. To what extent do you agree that Audit Committees, where companies have them, should provide commentary and make recommendations to company directors before data is submitted to the government and included in directors' reports?**

Strongly agree.

- **Q9b. To what extent do you agree that the Small Business Commissioner should write to audit committees and company boards, where companies have them, when undertaking payment performance reporting assurance and when investigating any other matter relating to a company's payment practices?**

Somewhat agree.

- **Q9c. Are there any potential unintended consequences or considerations that could happen if this measure was introduced?**

Yes

- **Q9d. Explain the reasons for your answer to question 9c.**

The Chartered Institute of Internal Auditors (Chartered IIA) recognises that bringing payment practices within the scope of audit committee and board-level oversight would strengthen accountability and improve the reliability of the information included in directors' reports.

The Chartered IIA is the body for internal auditors across all industries, representing over 10,000 professionals across the UK and Ireland. We advocate for good corporate governance, strong risk management and a rigorous control environment, leading to the long-term success of organisations.

Internal audit provides independent assurance to an organisation's board (typically via the audit committee) and senior management that its risk management, governance and internal control processes are operating effectively. This includes reviewing both financial and non-financial risks, such as procurement, payment practices and supply chain resilience, which are key themes in this consultation.

From an internal audit perspective, the effectiveness of this scrutiny will depend on the robustness of the underlying systems and controls. To provide meaningful commentary and recommendations to company directors, audit committees require robust and independent assurance that clear and consistent definitions of metrics are being applied, that data used for reporting is accurate and complete and that there are established governance processes for managing disputes, approving invoices and monitoring performance. Audit committees will also need meaningful data that helps them delve below the surface to find root causes of any issues relating to payment practices.

We recognise that there are potential risks and unintended consequences. If reporting is judged narrowly on headline percentages, there is a danger that some organisations can circumvent the requirements rather than seeking genuine improvements in the timeliness and fairness of their payment practices. Proportionality is a further consideration: not all organisations have an audit committee and expectations should recognise this diversity in governance arrangements. This does not mean there is not a need for reassurance.

Some of these risks may be mitigated through other measures set out in this consultation, such as the proposed deadline for raising disputes. However, practical guidance will also be needed to ensure consistency and efficiency.

Appropriately resourced and independent internal audit functions can add value in this space. Internal audit is uniquely positioned to provide boards and audit committees with assurance over the accuracy of reported data, the effectiveness of controls and whether governance processes are operating as intended. Internal audit can also help identify systemic issues, such as cultural attitudes to suppliers or weak dispute-handling processes, which may not be visible from metrics alone.

The Chartered IIA held a roundtable with internal audit leaders from across sectors to inform our response to these proposed measures. Participants agreed that if audit committees are expected to report on payment practices, they will likely seek independent assurance from internal audit. As one participant from a major construction firm put it:

“If audit committees are required to make statements on payment practices, they will almost certainly want some independent assurance on this—it would come to us [internal audit]. This is bread-and-butter internal audit work”.

Another noted that their internal audit function had developed a culture dashboard, including payment practices as a key metric, which is reported to the audit committee twice a year, demonstrating how internal audit is already supporting clear reporting on payment practices.

The Chartered IIA considers that audit committees should seek assurance from internal audit functions, where they do exist, as they are well-positioned to provide risk-based assurance over key controls related to payments. Subject to proportionality, we would like to see an expectation that companies seriously consider creating an internal audit function where one does not already exist.

The measures proposed in this consultation were first set out in the Government’s 2021 White Paper ‘*Restoring Trust in Audit and Corporate Governance*’. To deliver real impact, these measures should be accompanied by the wider package of measures included in the White Paper. This includes the ‘*Draft Audit Reform and Corporate Governance Bill*’, which would give the Financial Reporting Council the legal powers needed to enforce high standards in corporate reporting and audit. It also covers proposals to modernise the non-financial reporting framework, such as new requirements for companies to publish an Audit and Assurance Policy and a Resilience Statement.

Taken together, the measures in this consultation and the wider audit reforms present an important opportunity to improve board-level accountability, enhance scrutiny of payment practices and strengthen corporate governance more broadly.

Measure 2 – maximum payment terms

- **Q10a. To what extent do you agree that limiting UK payment terms to 60 days at a maximum will be effective in addressing the stated problem of long payment times?**

Strongly agree.

- **Q10b. Explain the reasons for your answer to question 10a.**

The Chartered IIA understands that introducing a statutory maximum of 60 days would provide greater clarity and reduce opportunities for larger organisations to impose terms that are unfair to suppliers.

While implementation will require careful attention, in essence, this measure is the right thing to do and the internal audit leaders we spoke to support the intention behind this proposal, recognising that it can help protect smaller suppliers from being subject to excessive delays in payment. For the internal audit leaders we spoke to, the measure is not seen as unduly burdensome. Indeed, clearer parameters could make it easier to provide assurance that organisations are complying with their payment term obligations.

The key issue is not only the legal cap itself, but whether organisations have the systems, controls and governance in place to ensure compliance in practice. Internal audit functions are well placed to test whether organisations are paying supplier invoices within the 60-day limit, and to assess whether any exceptions are justified and if any reporting to the board and audit committee on this gives a fair and accurate picture of performance. This independent testing helps give directors confidence that published figures are reliable and that suppliers are being treated fairly.

We would note that the proposed statutory cap will need to work alongside other measures in this consultation, such as the 30-day dispute deadline, to prevent unintended behaviours where organisations could otherwise circumvent the rules. Internal audit can provide valuable insight to boards on whether such risks are materialising in practice and what remedial actions may be required.

To help ensure the 60-day limit is applied consistently, Government should consider issuing practical guidance on how any exceptions to the limit should be defined and overseen. A transition period, of at least two-years, would also give organisations space to update internal systems and governance arrangements in relation to the proposed measure.

- **Q10c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?**

Yes

- **Q10d. Explain the reasons for your answer to question 10c.**

The Chartered IIA understands the rationale for introducing a statutory maximum for payment terms. We recognise that the measure is intended to address power imbalances in commercial negotiations, particularly where smaller suppliers may feel compelled to accept excessively long terms imposed by larger businesses. In this context, placing a clear limit on payment terms could help protect smaller suppliers and promote fairer payment practices. However, we are concerned about three key unintended consequences of this measure that may undermine its intent and these risks were echoed by internal audit leaders at our roundtable.

- **Payment Term Creep:** One of the key risks raised at our roundtable was that some organisations which currently operate on shorter payment terms, such as 30 or 45 days, may extend their terms towards the new 60-day maximum. This would have the unintended effect of lengthening payment times to suppliers overall, lowering the bar for supplier treatment and undermining the spirit of the proposed measure. An internal audit leader from a major construction firm at our roundtable echoed this concern, noting that ***“there is a risk that if you define maximum payment terms, there's a race to the bottom and everyone defaults to 60 days”***.
- **Implementation Complexities:** Internal audit leaders at our roundtable also noted that mapping the full universe of their suppliers, including subcontractors and third/fourth parties and determining which contracts fall within the scope of this legislation could present a significant challenge for some large organisations that operate with suppliers both globally and domestically. Understanding and assessing contract terms and coordinating updates across hundreds or thousands of suppliers is likely to require a phased, risk-based approach. There is a risk that organisations may fall short of full compliance in the early stages, not through resistance but due to the operational complexity involved in their supply chain.
- **Supplier Relationship Strain:** Participants at our roundtable also warned that rigid payment terms may strain supplier relationships. In some cases, payment terms are tailored to the nature of the contract and changing them would require renegotiating and amending terms, even where both parties are satisfied with the current arrangement. This could create a significant administrative burden for procurement, legal and operational teams. If not handled carefully, it risks damaging long-

standing supplier relationships. As one internal audit leader from a major insurance firm put it, ***“It’s just so painful to do because your suppliers are going to say, ‘Here’s another thing we’ve got to do.’ ‘Here’s another contract amendment.’ You then spend months going through all that – even with suppliers you want to keep working with”.***

Internal audit can play a role in assessing whether payment performance metrics presented to boards and audit committees give an accurate reflection of the payment practices of the organisation. Clarity through guidance on this measure, consistent internal governance and assurance processes and reliable payment information will therefore be essential if audit committees and boards are to demonstrate genuine progress on payment practices. To help address some of the operational challenges outlined above and help the overall implementation of this measure, DBT should consider a transition period of up to two years, allowing firms time to adapt systems and renegotiate contracts where necessary.

- **Q10e. What exemptions, if any, do you think should apply and why – for example, in specific sectors or in particular circumstances?**

The Chartered IIA does not advocate for broad sectoral exemptions, as this risks weakening the clarity and comparability of the regime. From an internal audit standpoint, a system with many different exemptions quickly becomes harder to monitor and less transparent for stakeholders.

Where exemptions are unavoidable, they should be limited, clearly defined and based on objective criteria. For example, in the construction sector, sub-contract agreements based on Joint Contracts Tribunal (JCT) forms often tie payment to specific conditions, such as the issue of interim certificates or completion of defined stages of work, meaning payment can only begin once those conditions are formally met.

In such cases, it is important that these exemptions are applied consistently and disclosed transparently. Audit committees should receive clear reporting on when exemptions have been applied and internal audit can provide assurance that these have been used appropriately and not to delay payments unfairly.

While not technically an exemption, the need for a transition period for implementing the 60-day statutory cap was raised as a concern in our roundtable with internal audit leaders. Participants warned that imposing legal requirements without sufficient lead-in time could result in confusion, delays in contract amendments, or inadvertent non-compliance, particularly in sectors with complex or long-term supplier arrangements. In this context, a transition period of up to two-years, supported with clear guidance, could help ensure a smoother rollout without undermining the intent of the measure.

As one participant noted, ***“It needs to be very clear that there’s a consultation period and a transition phase—otherwise it’ll just be set to fail from the outset”***.

This would mirror the approach taken elsewhere in this consultation, where a transition period is proposed for the potential prohibition of retention clauses in construction contracts. It would also reflect established regulatory practice — for example, the two-year lead-in period for member states when the GDPR came into force, or the phased rollout of provisions under the forthcoming Employment Rights Bill.

Measure 3 – a deadline for disputing invoices.

- **Q11a. To what extent do you agree that introducing a 30-day time limit on the ability for businesses to dispute invoices will be effective in addressing the stated problem of the deliberate disputing of invoices to extend payment times?**

Somewhat agree.

- **Q11b. Explain the reasons for your answer to 11a.**

We support the principle of introducing a 30-day deadline for invoice disputes, as it has the potential to curb the practice of raising challenges late in the cycle to delay payment. However, its effectiveness will depend on how organisations implement and monitor the measure in practice. Internal audit can play an important role in providing independent assurance that disputes are being raised within the permitted time frame, that they are supported by clear evidence and that suppliers are informed promptly. This assurance work is consistent with how internal audit already reviews payment practices under the Fair

Payment Code.¹, where attention is given to the transparency, accuracy and timeliness of reporting, as well as how exceptions are managed. By testing these processes and reporting patterns of non-compliance to boards and audit committees, internal audit can help ensure that the measure strengthens trust and accountability, rather than becoming a compliance exercise that simply shifts disputes earlier without improving outcomes for suppliers.

- **Q11c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?**

Yes

- **Q11d. Explain the reasons for your answer to question 11c.**

The Chartered IIA supports the intention behind introducing a fixed 30-day deadline for raising invoice disputes. We recognise that this measure is designed to prevent businesses from using late-stage disputes as a way to delay payments, and that it could help promote greater transparency and fairness in payment practices.

However, some roundtable participants noted that the 30-day limit may not align with finance cycles in certain sectors, where cost reconciliation and month-end processes can complicate dispute timelines. One participant warned that a tight time limit could ***“put more pressure on... (this time limit) could drive out some of the wrong actions, even when disputes are legitimate”***.

Internal auditors examine how disputes are handled, reported and resolved. By reviewing this information and reporting patterns to boards and audit committees, internal audit can help ensure that the measure achieves its intended purpose of greater timeliness and transparency in payment practices.

- **Q11e. Are there more effective ways the government could prevent frivolous disputing of invoices?**

¹ Small Business Commissioner – Fair Payment Code

An effective way to prevent frivolous disputes is to ensure that governance around disputes is clear, transparent and consistently applied. Internal audit functions can provide assurance on how disputes are raised and handled, including whether suppliers are notified promptly and whether dispute categories are applied appropriately. Strengthening requirements for organisations to record the reasons for disputes, supported by evidence and communicated to suppliers at an early stage, would increase transparency and deter the misuse of dispute processes as a way of delaying payments. Internal audit can then test these processes, provide assurance to boards and audit committees on whether disputes are genuine, and highlight where patterns suggest weaknesses in governance or culture.

Measure 4 – mandatory statutory interest

- **Q12a. To what extent do you agree that all qualifying contracts being subject to mandatory statutory interest on their late payments without exception will address the stated problem and help incentivise paying on time?**

Somewhat agree.

- **Q12b. Explain the reasons for your answer to question 12a.**

Making statutory interest mandatory should, in principle, strengthen the incentive to pay suppliers on time. From an internal audit viewpoint, the value of this measure depends on whether organisations establish transparent and reliable processes for identifying when interest is owed and for reporting it consistently. Internal audit can provide assurance that the data on late payments and interest is accurate, complete and reported fairly to boards and audit committees. This helps ensure that statutory interest operates as intended, as a signal of poor payment practices, rather than being obscured or treated as a routine cost of doing business.

- **Q12c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?**

Yes

- **Q12d. Explain the reasons for your answer to question 12c.**

A risk of making statutory interest mandatory is that some organisations could begin to see it as an acceptable cost rather than a sign of weak payment practices. If this occurs, the

measure may fail to drive genuine cultural change. Internal audit can help counter this by reviewing how often statutory interest is being incurred, whether root causes such as weak processes or poor behaviours are being addressed, and whether boards are treating statutory interest as a red flag. Regular assurance in this area would help ensure that interest remains an exception and that the focus stays on paying suppliers promptly and fairly.

Measure 5 – additional reporting on statutory interest

- **Q13a. To what extent do you agree that requiring businesses that report under the Reporting on Payment Practices and Performance Regulations 2017 to report how much interest they owe and pay to their suppliers as a result of late payments will help incentivise reporting businesses to improve their payment practices?**

Somewhat agree.

- **Q13b. Explain the reasons for your answer to question 13a.**

The Chartered IIA agrees that requiring large businesses to report on statutory interest owed and paid will incentivise better payment practices. Such disclosure provides an objective and transparent measure of the financial consequences of late payment, complementing existing timeliness metrics. It will also increase transparency for suppliers and other stakeholders, helping them assess whether businesses are meeting expectations around fair payment. From an internal audit standpoint, this will enable boards and audit committees to see more clearly whether poor practices are persisting and whether suppliers are being compensated fairly. It also creates a stronger foundation for internal audit to provide independent assurance over the accuracy and completeness of reported figures, helping to ensure that disclosures are meaningful and reliable.

- **Q13c. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of this measure?**

Yes

- **Q13d. Explain the reasons for your answer to question 13c.**

The Chartered IIA does not foresee unintended consequences arising from the requirement to report on statutory interest paid. That said, it will be important to ensure that any disclosures of statutory interest are meaningful and based on accurate data. Internal audit functions can support this by providing independent assurance over the completeness and reliability of reported figures, giving boards and audit committees confidence that the organisation is meeting its reporting obligations and that the information submitted is accurate.

Other changes to payment performance reporting

- **Q16a. To what extent do you agree that the requirement for businesses to report under the Payment Practices and Performance Reporting Regulations should be changed from twice a year to once a year?**

Strongly agree.

- **Q16b. Explain the reasons for your answer to question 16a.**

The Chartered IIA agrees that aligning reporting requirements with annual reports could reduce duplication and ease the administrative burden for businesses. However, this change must not weaken the quality of governance or the timeliness of oversight. Boards and audit committees require regular management information on payment practices throughout the year, for example, on a quarterly basis, in order to discharge their responsibilities effectively. Annual disclosure alone is not sufficient to identify problems early or to ensure that suppliers are treated fairly. Internal audit can provide independent assurance that information reported internally during the year is consistent, reliable and aligned with what is ultimately disclosed in the statutory report. This helps ensure that the benefits of reduced duplication are realised without diminishing accountability or transparency.

- **Q17a. To what extent do you agree that prohibiting the use of retention clauses in construction contracts would be effective in addressing the stated problems associated with retention?**

Neither

- **Q17b. Explain the reasons for your answer to question 17a.**

The Chartered IIA recognises the issues associated with retention clauses, particularly the risks they create for smaller suppliers when funds are withheld or lost due to upstream insolvency. We understand that the government's intent in proposing this measure is to improve fairness and payment certainty across the construction supply chain, especially for smaller construction businesses and contractors that are more vulnerable to cashflow disruption. These risks are compounded where there is limited transparency or weak oversight of how retentions are held and released.

At the same time, we acknowledge that retention clauses are an established mechanism used across the construction sector to manage performance and ensure defects are resolved. In the absence of strong alternative safeguards, the loss of this contractual tool may increase risks for payers, especially smaller contractors, who rely on retentions to incentivise completion and ensure defects are resolved.

One participant commented, ***“To outright remove the ability to retain would be problematic. Retentions exist for a good reason—especially for small firms trying to protect themselves”***. Another internal audit leader highlighted that retentions are often used in place of formal performance management processes: ***“In construction, you don’t have performance reviews (with subcontractors) like with employees—you manage subcontractors differently. Retention clauses are one of the tools our site managers and quantity surveyors use to do this”***.

There may be value in exploring alternative safeguards that could address concerns around supplier vulnerability while preserving the ability to manage risk. For example, ring-fencing retention sums, such as through retention deposit schemes or escrow accounts, could help ensure funds are protected and released fairly, subject to clear rules and effective oversight.

Strengthening transparency and governance around retentions could also form part of a more proportionate response. Where internal audit functions exist, they can provide

independent assurance that retention practices are applied fairly, recorded accurately and aligned with agreed contractual and regulatory expectations.

- **Q18. Under a prohibition on the use of retention clauses in construction contracts, what alternative measures would a payer seek to ensure performance and quality from a supplier? Explain the reasons for your answer.**

As noted in our response to Q17b, retention clauses are widely used to manage quality and performance. If a prohibition were introduced, alternative safeguards would be needed to mitigate risk.

One option could be to ring-fence retention sums, for example, through escrow arrangements or deposit schemes, to ensure funds are protected and released fairly. While preserving the intent of retentions, such mechanisms would require clear rules, operational oversight and alignment with broader payment practices measures.

Where internal audit functions exist, they can support this by providing independent assurance over how these processes are applied and whether risks are being managed appropriately.

- **Q19. What length of transitional period would be for a payer to adjust to the ban measure? Explain the reasons for your answer.**

The Chartered IIA supports the inclusion of a transition period. However, we believe a period of up to two years would be suitable if a ban measure is introduced. A prohibition on retention clauses will require time for organisations to update contracts, adjust internal systems and adopt alternative mechanisms to manage performance risk. The Government should ensure that any transition period is proportionate, particularly for smaller contractors with limited resources, and takes into account the complexity of existing contractual frameworks.

- **Q21a. To what extent do you agree that requirements to protect retention sums deducted and withheld under retention clauses in construction contracts**

would be effective in addressing the stated problems associated with retention?

Neither

- **Q21b. Explain the reasons for your answer to question 21a.**

The Chartered IIA agrees that introducing protections for retention sums would help address vulnerabilities in construction sector payment practices. At present, the absence of safeguards can leave subcontractors exposed to financial loss where retentions are withheld or lost through upstream insolvency.

At our recent roundtable with internal audit leaders, participants noted that tighter regulation of retention periods and caps on the value or percentage retained would be a “perfectly sensible” measure. It is also important to recognise that retentions are not only used by large firms to withhold payments from smaller suppliers; in some cases, they provide essential protection for small and medium-sized contractors themselves, helping to manage risk where subcontractors fail to complete work or resolve defects. As one chief audit executive at the roundtable put it: ***“Being a small house builder with a contractor that walks away with a load of defective works, and you’ve got no insurance against that — that’s a serious risk”***. This reflects a recognition that some form of retention remains necessary as a tool to reduce supplier risk.

More broadly, the consultation provides an opportunity to strengthen governance expectations in the construction sector. Despite their scale and systemic importance, some major government contractors still do not have internal audit functions in place. The collapse of ISG in 2024, a major government contractor responsible for building hospitals, schools and prisons, highlights the risks this poses. ISG may not have had an internal audit function or audit committee in place at the time of its failure, which may have left the board without the independent oversight needed to manage key risks effectively, including limited or no independent assurance over how retention clauses are being managed. Research by the Chartered IIA suggests this is not an isolated case. Other major firms delivering public infrastructure, including Laing O’Rourke and Willmott Dixon, also appear to lack internal audit capabilities despite the scale and public importance of their contracts.

To support this, the Cabinet Office should update the Construction Playbook, which sets out best practice for public sector construction procurement, to explicitly reference

internal audit as a means of strengthening governance and independent oversight. This would complement the changes to the Construction Playbook needed to reflect the new legislative requirements introduced through this consultation on retention protections and payment performance measures. Ensuring that major contractors are subject to robust, independent assurance over their governance, risk management and internal controls is essential to reducing the likelihood of future failures and safeguarding public funds.

Q26. Are there any potential unintended consequences or considerations that should be taken into account for the introduction of either proposed measure for the use of retention clauses in construction contracts? Explain the reasons for your answer.

The Chartered IIA notes that any reform of retentions will have implications for existing systems and processes across the supply chain. A sensible transition period will therefore need to be considered to allow businesses time to adapt. As previously stated in the response in relation to the outright ban, we believe a transition period of up to 2 years would be suitable for this measure. We support the Government's intention to reduce poor payment practices and protect suppliers from financial harm. However, without careful implementation, there is a risk that these measures could introduce new administrative burdens or delays for organisations.

At our roundtable with internal audit leaders. Participants emphasised that retention clauses are one of the tools quantity surveyors and commercial teams have to manage subcontractor performance, especially in the absence of formal review mechanisms. Replacing this tool with new arrangements would create practical challenges that could undermine quality assurance unless supported by robust processes.

From an internal audit perspective, clarity over details regarding retention clauses, i.e., how, where and when they should be released, and what needs to be reported will be essential to support reliable oversight. Internal audit can play a role in reviewing whether these processes are operating as intended and whether governance arrangements are sufficiently embedded to manage the risks introduced by the proposed measures.

Q27. Do you have any further comments on either proposed measure for the use of retention clauses in construction contracts?

The Chartered IIA believes that whichever legislative option is taken forward regarding retention clauses, whether it be prohibition or protection, success will depend on how well it is underpinned by effective governance and oversight. Organisations will need to ensure their boards and audit committees have visibility over the scale of retentions in contracts, the timeliness of their release and the risks this poses to supply chain resilience. Internal audit is well placed to provide independent assurance in this area, helping to confirm that reporting is accurate and that persistent delays or weaknesses are escalated. Whichever legislative option is chosen, the Government should consider issuing guidance on the governance and oversight expectations for firms, including how boards, audit committees and internal audit functions should monitor retention-related risks and controls.

Q28. Do you have any further comments on any elements of the proposals that might aid the consultation process as a whole?

The Chartered IIA welcomes the Government's focus on tackling poor payment practices. However, we would emphasise that payment behaviour cannot be separated from the wider question of governance and oversight in large private companies, including the construction industry. The collapse of ISG, then the UK's fifth-largest construction firm, responsible for delivering public procurement contracts to build schools, hospitals and prisons, highlighted serious weaknesses in governance and independent oversight. At the time of its collapse, ISG did not appear to have either an internal audit function or an audit committee in place, despite the scale of its operations and its £1 billion in public procurement contracts.

This case illustrates a broader vulnerability across the construction sector: some of the large construction firms delivering taxpayer-funded infrastructure projects, like Laing O'Rourke, Willmott Dixon and others, do not appear to have appropriately positioned or resourced internal audit functions. The absence of internal audit can leave boards, audit committees and senior management without the assurance and oversight they need to manage systemic risks, including those related to payment practices. Over time, this can undermine financial resilience, operational continuity and public trust in the delivery of critical infrastructure.

We would therefore encourage the DBT to work with the Crown Commercial Service and the Cabinet Office to update the Construction Playbook to require that construction firms delivering taxpayer-funded infrastructure projects have appropriately positioned and

resourced internal audit functions. This can sit alongside the updates needed to the construction playbook as a result of measures proposed on late payments introduced in this consultation.

We also note that the proposal to tackle poor payment practices was first set out in the Government's 2021 White Paper Restoring Trust in Audit and Corporate Governance. It is important that this work continues in parallel with the wider package of audit and corporate governance measures proposed in the White Paper.

We urge the Government to bring forward the long-awaited Draft Audit Reform and Corporate Governance Bill. This would replace the Financial Reporting Council with the Audit, Reporting and Governance Authority (ARGA), a statutory regulator with the legal powers needed to enforce high standards in corporate reporting and audit. In parallel, the Government should act on its proposals to modernise the non-financial reporting framework, including requirements for public interest entities to publish an Audit and Assurance Policy and a Resilience Statement. Taken together, the measures in this late payments consultation and the broader measures in the White Paper would support stronger corporate governance, greater transparency and improved payment practices.