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The Public Accounts
Commission

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The Public Accounts Commission

The Public Accounts Commission is defined by the National Audit Act 1983. The Commission's principal duties under the Act are to examine the National Audit Office Estimate, to consider reports from the appointed auditor of the National Audit Office, and to report from time to time.

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PUBLIC ACCOUNTS COMMISSION

13th REPORT (2007)

Introduction

1. This report sets out the arrangements whereby the Public Accounts Commission, having taken written evidence from the Comptroller & Auditor General (C&AG), will in future review the expenses incurred in the discharge of the C&AG's functions.

2. The National Audit Act 1983 provides for the C&AG to have 'complete discretion in the discharge of his functions'. To protect his or her independence, the salary of the C&AG is not charged to the resource budget of the National Audit Office or otherwise voted annually by Parliament, but is paid from the Consolidated Fund as a standing service. The C&AG's expenses are, however, funded from the resource budget, voted by Parliament on the recommendation of the Commission. The C&AG's decisions to incur expenditure from the resource budget are not subject to approval by staff of the National Audit Office, of which the C&AG is the head, nor by the Treasury. They do however come within the purview of this Commission, which, to provide a means of independent scrutiny, has with the C&AG's support adopted the system of oversight described below.

The review process

3. The Director of Internal Assurance at the National Audit Office will obtain all material information on the planned expenses of the C&AG. The Chairman of the Office's Audit Committee, who is also a non-executive member of the Office's Senior Management Board (along with another member of the Audit Committee to be appointed shortly), will be briefed in advance by the Director of Internal Assurance on planned expenses of the C&AG chargeable to the resource budget, in the light of the framework set out below. The Chairman of the Audit Committee will be able to discuss such issues as he or she sees fit with his or her fellow non-executive board member, with the C&AG, and ultimately with the Public Accounts Commission.

4. The National Audit Office will provide the Commission with a six-monthly report of its actual expenditure on the relevant expenses, which will be open to audit by the Office's external auditors, who are appointed by the Commission. The Commission could then, if it so wished, ask the C&AG about the expenses at its public meetings.

The framework

5. The review process will have regard to the following framework. It is designed to ensure that the C&AG should as far as possible, consistent with his or her distinct role and constitutional position and the significant representational aspect of the work, follow the rules and practices of Permanent Secretaries of government departments.

Transport

Rail: first class where available;

Air: business class (the rules for Permanent Secretaries generally allow first class for long-haul flights but the C&AG wishes to standardise on business class, even for long-haul flights).

Accommodation

Hotels will be selected on the basis of the best of three competitive quotations. Alternatively the C&AG will stay in diplomatic service accommodation if offered, or, when attending a conference, at the venue if accommodation is available there.

Travel accompanied by spouse

Cabinet Office rules state that spouse-accompanied travel at public expense is to be exceptional, and in practice it is understood to be rare. In practice the need for the C&AG to be accompanied by his or her spouse should not usually arise where he or she goes not by invitation but: to perform audit work or to seek appointment as auditor; for fact-finding purposes in support of audit reports; or for meetings of international or other bodies to which the C&AG or the National Audit Office belongs and attends as of right. The need may exceptionally arise in respect of technical assistance projects where diplomatic and social contact would build trust with key figures and promote acceptance of necessary change. If in these circumstances there is a case for the C&AG to be accompanied by his or her spouse, it will first be discussed with the Chairman of the Audit Committee.

Other expenses

It is not possible to specify in advance all of the expenses to which these arrangements might be applicable. The Chairman of the Audit Committee will therefore be able to request briefing from the Director of Internal Assurance where the Chairman requires assurance on any other potential benefits accruing to the C&AG from the use of the Office's resources.

Cost

Subject to any constraints imposed by law, the C&AG has complete discretion in the exercise of his or her functions. He or she therefore decides which particular visits should be made for that purpose, in the light of advice from the Office, and what other expenditure should be incurred. The cost of performing the C&AG's statutory functions, and of carrying out any non-statutory activities, is however a matter for the Public Accounts Commission; and it is our intention that the scope and style of the C&AG's arrangements should be reviewed accordingly as described above.

Corporate governance

6. The Commission will also be reviewing the corporate governance arrangements for the National Audit Office to ensure that these conform to best practice.

Conclusion

7. Independence is essential to the effective performance of the C&AG's functions, and is embodied in complete statutory discretion for the exercise of those functions. That discretion necessarily extends to control of - and accountability for - the National Audit Office and its resources. The C&AG is paid directly from the Consolidated Fund rather than the NAO budget. The arrangements set out in this report are designed to buttress his or her independence by providing for a high degree of transparency in the management of expenses, which do come from the NAO budget, and in respect of which the C&AG might otherwise be perceived as both controller and beneficiary of National Audit Office resources. By strengthening the oversight by this Commission, we believe these arrangements will serve to allay any such concern.

Written Evidence from the Comptroller & Auditor General (C&AG)

C&AG's travel

Background

Recent media interest in the C&AG's travel and subsistence expenditure have been prompted by a request from Richard Brooks, a journalist with Private Eye, which was submitted to the National Audit Office under the Freedom of Information Act 2000. Mr Brooks requested information under a number of headings and copies of the initial reply and response to a follow up series of questions from him are attached.¹ This information was disclosed as required by the Act and within the statutory timescales.

This briefing note summarises the key information provided and also covers some points that have arisen in the subsequent media coverage.

Spending on travel and subsistence

The travel and subsistence expenditure attributed to the C&AG is not for him alone but also covers his Private Office and his wife on the occasions she accompanies him. For the past three years the figures are as follows:

2004-05	122,937
2005-06	133,978
2006-07	91,086

The purpose of the C&AG's international travel

The C&AG travels abroad on official business of the National Audit Office in connection with their portfolio of international work which generates over £4 million of income each year. A breakdown of visits over the past three years is attached. The NAO's international work takes different forms:

Assistance to emerging democracies - these are technical co-operation projects funded by, for example, the European Union in which the NAO offers assistance in developing the robust public audit systems which are a pre-requisite for membership of the EU. The NAO has been involved in projects in 9 countries.

International development projects - these are projects aimed at improving financial management practices in the developing world where sound governance is a pre-requisite of securing international development funds from the World Bank and other organisations. The NAO has been involved in 49 such projects over the past three years.

International audit - the NAO competes with other state audit offices for the audit of a number of international bodies such as the World Meteorological Office and the World Food Programme. It currently has 23 such audits. In addition, the C&AG may travel in connection with reports to Parliament where fact finding missions to understand overseas comparators and best practice may be called for.

¹ Not printed.

International meetings and bilateral visits - these emanate from the UK's position as a world leader in parliamentary government of which public audit is an important dimension. In this connection the C&AG is invited to speak about our system to officials and politicians in many countries. He also participates in the international organisation of state audit institutions which exists to promote best practice in public audit worldwide.

The arrangements governing the C&AG's travel

Given the C&AG's statutory independence it would not be appropriate for him to seek approval for his travel from Government or the National Audit Office. However, in meeting the cost of the C&AG's travel the National Audit Office would routinely check that all expenditure claimed is supported by evidence of payment, such as hotel bills.

Given his independent position the C&AG is not required to conform to civil service guidance or to the rules governing travel for the NAO. As a proxy he applies the following rules:

The C&AG travels first class for rail travel, business class for short haul flights and first class for long haul flights.

In terms of how this compares to senior Civil Servants or Diplomats, the rules vary between Departments. Some Departments, including the Foreign Office have an entitlement for senior officials to travel first class though we understand that in practice most use first class rail travel and Business Class for air travel.

There is a significant representational and commercial aspect to the C&AG's international work which is not replicated in the Home Civil Service where Permanent Secretaries are the administrative heads of their departments and Ministers fulfil the representational role. Much of the NAO's international work is actively supported by the Foreign Office or the Department for International Development, and in addition to income generated for the NAO, generates other invisible exports.

The C&AG does not extended trips for personal reasons and he stays in a country for 2.5 days on average.

The arrangements governing the choice of hotels

Normal practice is for the C&AG to stay in hotels recommended by the host which will include hotels recommended on earlier visits which proved to be convenient or otherwise suitable. The C&AG stays in a range of hotels and sometimes in the ambassador's residence. Where he stays in hotels the rates paid are often below the advertised figures.

The arrangements covering Lady Bourn

The C&AG undertook 45 visits over the past three years and his wife accompanied him on 24 of those visits. Lady Bourn accompanies the C&AG on visits where the host would have reasonable expectations that she would attend.

The Cabinet Office guidance covering travel expenses of spouses and partners specifies that responsibility for the decision on whether a spouse can accompany an official rests with the Accounting Officer - in the case of the NAO, that would be the C&AG. Information is not held centrally on the frequency with which this occurs in government departments.

The cost of Lady Bourn's travel for the five years for which the NAO has records is as follows:

2001-02 - 7,432
2002-03 - 18,394
2003-04 - 25,811
2004-05 - 24,969
2005-06 - 25,309

In line with established Cabinet Office guidance (*Directory of Civil Service Guidance Volume 2: Collected Guidance - page 53. Travelling Expenses of Spouses and Partners: Use of Official Funds*), the NAO also meets the tax and national insurance liability arising. The cost for the years shown above is as follows:

2001-02 - 6,423
2002-03 - 15,924
2003-04 - 22,713
2004-05 - 21,972
2005-06 - 22,272

Lady Bourn accompanied the C&AG on seven trips in 2001-02 which is consistent with the annual average since then. The main difference between 2001-02 and other years was that six out of the seven trips were to European destinations and therefore the costs incurred were substantially less than the average.

The audit arrangements governing the C&AG's travel

The accounts of the NAO, which include the travel and subsistence expenditure of the C&AG are audited by a private sector firm, currently Tenon, which is appointed by the Commission. They are appointed for 3 years. The NAO has always received an unqualified audit opinion.

The impact on the C&AG's domestic role from the amount of travel

The C&AG continues with his normal review of NAO work while travelling.

The Public Accounts Commission sets out clear expectations of the NAO each year in terms of number of audits, number of value for money studies, efficiency savings within the NAO and financial impact across government

amounting to savings of over £1.5 billion over the past three years. The NAO has met its targets every year for which Sir John has been C&AG.

Annex

Schedule of C&AG's overseas travel 2004-05 to 2006-07

Assistance to emerging democracies	
31.03.04	Riga
17.10.04	Poland
16.02.05	Croatia
30.06.05	Budapest
18.07.05	China
30.10.05	Moscow
24.05.06	St Petersburg
21.02.07	Bulgaria
01.03.07	Warsaw
International Development projects	
20.04.04	Mauritius
09.06.04	Accra
28.03.05	India
27.04.05	Morocco
15.06.05	Ankara
15.11.05	South Africa
04.04.06	Baku
18.10.06	Bahamas
15.01.07	Jordan
UN/Other International Audits	
26.05.04	Rome
02.06.04	Geneva
05.12.04	Luxembourg

12.12.04	Paris
24.06.05	Geneva
19.10.05	Strasbourg
04.12.05	New York
16.05.06	Brussels
12.06.06	Rome
24.10.06	Strasbourg
International Meetings/Bilateral visits	
31.05.04	Sofia
15.09.04	Reykjavik
10.10.04	Budapest
27.10.04	Rome
28.01.05	Auckland
09.05.05	Canada
30.05.05	Bonn
11.09.05	Brazil
10.04.06	Ireland
09.09.06	Iceland
29.09.06	Dublin
01.12.06	Tunis
22.01.07	Paris
20.09.06	Berne
Fact finding visits in relation to reports to Parliament	
04.01.05	USA
05.09.06	USA
02.01.07	USA