



House of Commons
Committee of Public Accounts

IPSA: Response to Fifty-first Report of Session 2010-12

**Second Special Report of Session
2010–12**

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Committee of Public Accounts

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Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

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Special Report

On 23 September 2011 the Committee of Public Accounts published its Fifty-first Report of Session 2010-12, *Independent Parliamentary Standards Authority*, HC 1426. The Authority's response to the report was received on 17 November 2011, and is published as an Appendix to this Special Report, along with a letter from the Committee Chair to the Authority's Chief Executive.

Appendix One

Letter from the Chair of the Committee to the Chief Executive of the Independent Parliamentary Standards Authority, dated 15 December 2011

IPSA's RESPONSE TO PAC RECOMMENDATIONS

Thank you for your letter of 17 November, responding to the recommendations in our September report. The Committee has considered your response and would like you to reconsider the three following areas where we believe IPSA could strengthen its approach to value for money.

Our Recommendation 1 – Improving IPSA's cost effectiveness

IPSA's administrative costs were high during a period when you were responding to the crisis in public confidence on MPs' expenses, and had to establish a new system with comprehensive scrutiny of every penny spent. But the savings target of 5% a year is unambitious in the context of the challenge facing the rest of Government and now that you have had time to take stock and work out how to implement a more cost effective and proportionate approach in light of the lessons learned. The fact that, by your own admission, you are able to deliver 10% savings this year suggests that a more ambitious target for savings is feasible. We hope you can deliver this more stretching level of savings in future years too.

You make a welcome commitment to publishing progress against targets in improving efficiency and reducing costs. We would like to hear more details on what these targets will cover. I should say that we continue to believe that reporting changes in your average cost per claim would be a helpful and transparent thing to do.

Our Recommendation 3 – Risk-based approach

A more risk-based approach to your validation work clearly has potential to improve cost effectiveness. We noted in our report that 99.7% of all claims made are within the rules, and that rejected claims are overwhelmingly due to administrative error rather than deliberate misbehaviour. There have been no significant or systemic breaches of the rules in the 18 months you have been in operation. The National Audit Office noted in July that

IPSA had been defining itself as having a ‘moderate’ risk appetite for more than six months, but that its validation processes were not yet aligned with this.

We therefore find your reference to implementing a more risk-based approach “in the new year” to be somewhat vague. Action before now would have been welcome, but given where we are we think it would be beneficial for you to set out a more specific timetable: you mention having now identified the types of claim presenting the highest risk, so presumably you are now well placed to make these changes sooner rather than later.

Our Recommendation 4 – Time spent by MPs and their staff

Your response draws attention to the reduction in time spent by MPs and their staff “on the system”. Again, this is welcome. However, your analysis does not allow for the significant amount of time not spent online – for example dealing with queries from your office, photocopying and posting, and working out what can be claimed in the first place. The NAO report suggested that only 4 out of 16 hours a month were actually spent ‘on the system’. We would like to know more on how you plan to monitor the time spent by MPs and their staff in its entirety, and what you are doing to support MPs in reducing it. In particular, we would welcome an explicit commitment from you to repeating the relevant sections of the NAO’s survey of MPs and comparing the data with their baseline.

I would appreciate a response by Monday 16 January 2012.

Appendix Two

IPSA: Response to the Committee of Public Accounts, dated 17 November 2011

Introduction

We have been operating as the independent regulator for MPs’ expenses for 18 months and in that time we have made good progress. The National Audit Office report found that IPSA protects taxpayers’ money and that public confidence has increased because of our work. The recognition of our progress towards these fundamental objectives, achieved in a short time and under difficult circumstances, should encourage the view that we are contributing to rebuilding public confidence in Parliament.

Recommendation 1

The new system for paying MPs’ expenses is robust and has improved public confidence, but there is significant scope to improve its cost effectiveness. IPSA is committed to reducing its operating budget by 5% each year during the course of this Parliament. It is striking, however, that 38% of claims submitted are for less money than the average cost of processing the claims. IPSA should reduce this percentage substantially, and set performance targets, such as average cost per claim, by which its value for money can be judged. IPSA should report progress publicly.

IPSA's response

We partially accept this recommendation.

We are committed to cost effectiveness and will deliver 5% savings in each year of this Comprehensive Spending Review period. In our second year, we are delivering 10% savings.

In the new year we will further evolve our internal processes and implement more risk based validation, enabling us to reduce our processing costs further. However, it would not be appropriate to spell out in a public document how we will identify the claims we consider to have the highest risk.

We commit to publishing our progress against targets in improving efficiency and reducing costs each year, as part of our ongoing discussions with SCIPSA.

We do not have a limit below which MPs cannot claim nor do we require MPs to collate small claims, meaning that there is the possibility that we will receive a large number of small value claims. This does not demonstrate problems in IPSA's processes. We do not agree that setting a target to reduce the number of claims costing less than the processing cost is a meaningful measure of success.

Recommendation 2

Public confidence in the system for MPs' expenses has markedly improved, but further simple steps by IPSA could help to build on these gains. The level of interest in MPs' claims has reduced, from over 10,000 unique hits on the IPSA website in response to expenses data published in December 2010, to fewer than 100 following the publication of data in July 2011. This, along with the results of an NAO survey which showed that 55% of the public felt the situation regarding MPs' expenses had got better in the last year, is welcome evidence of improved public confidence. To improve public confidence further, IPSA should draw a distinction between salaries and expenses in its public communications and make clear that all expenses claims paid are within the rules, and that rejected claims, unless otherwise stated, are the result of administrative errors rather than deliberate misbehaviour.

IPSA's response

We have partially accepted this recommendation.

We have already taken the decision to draw distinction between expenses and costs and salaries, as set out in our publication of each MP's annual expenditure. We will continue to do this.

Any claims which are paid are assessed as being within the rules. Again, we believe this is something which is clear. As a commitment to further improving how we do this, in the future publication of annualised data we will introduce an explicit endorsement to claims paid for each MP.

However, if a claim is submitted which is not within the rules it would be inappropriate for us to publicly offer an interpretation of why the claim was made.

Recommendation 3

IPSA's validation processes are disproportionate, in particular on low-value and low-risk claims. The level of error that IPSA detects through its validation is extremely low and currently its approach does not distinguish enough between high-risk areas of expenditure and those where the risk of error or abuse is inherently low. IPSA should develop a more risk-based approach to validation, tailored to the size and nature of the different claims it receives.

IPSA's response

We accept this recommendation.

We have always had the risk based validation but initially set our appetite for risk relatively low.

Building on the experience of our first 18 months of operation, we have undertaken a thorough exercise to map out the areas and types of claims of highest risk. Using this information, we will take on a more risk-based approach to validation in the new year. Our approach will deliver effective validation, a faster service to MPs and help us to secure savings. We do not think it would be appropriate to spell out in a public document how we will identify the claims we consider to have the highest risk.

Recommendation 4

Eighty-five per cent of MPs say that dealing with expenses hinders them from performing their duties in Parliament and to their constituents. The combined amount of time spent by MPs and their staff dealing with expenses could cost in the region of £2.4 million a year. While it is inevitable that MPs will need to spend some time dealing with expenses if the system is to be robust, this is too much. IPSA acknowledged that currently the balance is not right and set out a number of initiatives to reduce it. IPSA should monitor the time MPs and their staff spend dealing with expenses in future, using the data in the NAO survey as a benchmark. It should set out clearly the steps it will take, and by when, to reduce the time it takes to make claims in future.

IPSA's response

We accept this recommendation.

We are committed to simplifying our system and since the PAC hearing on IPSA we have made a number of improvements to the process for submitting a claim to the IT system.

In October, we introduced further simplifications to our processes, including the creation of favourite claims; simplifying the process for claiming mileage; and the introduction of our relationship with thetrainline.com, meaning MPs to not have to claim for train tickets – they can just book and travel.

The time MPs and their staff spend on the system has fallen dramatically from well over an hour a week in some cases to a current average of 33 minutes a week, or around six and a half minutes per day. We will continue to monitor this and seek to reduce it further.

We will identify opportunities to further simplify the system and will work with MPs in developing and piloting any changes. We will also work closely with MPs to help boost their understanding and use of the improvements already made. A programme of work to this end will begin in December. We will report to Parliament regularly on the progress made.

Recommendation 5

Guidance for MPs and their staff on making claims is not sufficiently clear and accessible and they do not always receive consistent advice from IPSA staff. IPSA acknowledged that it would be more helpful if MPs could access guidance on making claims from within the expenses system itself and if all guidance was consolidated in one place and easily searchable. When MPs or their offices talk to IPSA staff, they often have to repeat information they have provided before about their circumstances, as IPSA systems do not retain it. IPSA should undertake a cost-benefit analysis to evaluate whether an account management model would be a more efficient way of organising contacts between MPs and IPSA staff in the future, factoring into its analysis the current burden on MPs and their staff.

IPSA's response

We accept this recommendation.

We present guidance directly alongside the rules to which they relate – copies of which were supplied to all MPs. We have made the scheme simpler, so that there is less need for guidance in many cases. Our response to telephone calls is better – providing consistent advice and answering calls quickly. All of our guidance is now online and can be searched.

In short, there is more guidance available and it is much more accessible and useable. But, we agree that more can be done and are investigating ways to improve further the accessibility and usability of our guidance. We will discuss the issue with the informal liaison group at our next meeting.

We have explored the account management model, but it would not provide value for money. This model can work in larger organisations receiving more calls. For such a model to work at IPSA, we would need to employ more staff to ensure we have the right people available at all times to answer calls. We do not believe this extra expense would provide good value for money to the taxpayer.

Recommendation 6

The expenses system is still relatively new and there is much scope for future improvement as it develops. IPSA made a number of commitments, including carrying out a review of the sufficiency and appropriateness of MPs' staffing arrangements, reviewing the resourcing of the Compliance Officer function, considering options for taking advantage of

bulk-purchasing arrangements and improving the payment card reconciliation process. In developing these improvements, IPSA should engage with Parliamentary committees and other informal groups that have been set up to consider expenses-related issues, and this Committee looks forward to seeing the results.

IPSA's response

We accept this recommendation.

We agree that it is helpful and sensible for us to continue working with the informal liaison group and individual MPs as we evolve the administration of the Scheme. We are also developing a 'user survey' so that we can gather regular evidence and feedback from a wide range of MPs.

This year we have been subject to scrutiny from a number of Parliamentary committees. We have approached all openly, provided the information as appropriate and discussed and made public our past and present performance as well as our future plans in great detail. Our open and transparent way of working with parliament will continue in the future.