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The Public Accounts Committee of the House of Commons

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Introduction

The PAC is responsible for the non-partisan audit of public expenditure. Created in 1861, it has long been viewed as one of the parliament's most powerful committees (Chubb, 1952; Flegmann, 1979). Rush (2005: 208) described the PAC as 'one of, if not the, most effective of parliamentary committees' or 'the queen of the select committees' (Public Accounts Committee, 2007). The PAC's reputation is enhanced when compared with parliament's continued weakness in *ex ante* decision-making power (Wehner 2003). Scrutiny of government spending proposals is one of the weakest areas of parliamentary scrutiny in the U.K. and the House's power over expenditure has been described as close to a "constitutional myth" (Select Committee on Procedure 1999: para 5).

The creation of departmental select committees in 1979 enabled the PAC to act as *primus inter pares*, with its long history, tradition of consensus and non-political reputation and support of the National Audit Office (NAO) crucial to its success. Comparative studies across the Commonwealth (Stapenhurst et al. 2005; Pelizzo et al. 2006), have examined what makes PACs work effectively and the good practice identified – such as the whether the PAC is chaired by an Opposition member and the activity of the committee – and such studies have tended to reinforce the UK PAC's reputation.

At home, however, the PAC's standing vis-à-vis the other committees has been affected by the increased profile given to the Liaison Committee, consisting of the

chairs of all the select committees in the House of Commons, particular now that the Prime Minister appears before the committee to give evidence on matters of public policy three times a year. The Joint Committee on Human Rights, established in 2001, undertakes thematic inquiries on human rights issues and scrutinises all Government Bills for human rights implications and has also developed a strong reputation in its short existence. Meanwhile the departmental select committees, which unlike the PAC consider the merits of policy rather than its implementation, have matured with the introduction of core tasks and heightened public expectation. The welcome development of legislative oversight capacity may have led to increased competition for attention across the various parliamentary committees, but this study will demonstrate that the PAC continues to receive great attention.

Wider changes across the political landscape have also impacted upon the PAC. The Westminster PAC no longer has a role in scrutinising much of the expenditure in the devolved parts of the UK. Before devolution in 1999, audit in the U.K. was concentrated from the centre and carried out by the NAO and the PAC. Audit devolution was developed administratively through the operation of distinct procedures in the U.K. PAC at Westminster (in line with other distinct procedures established at Westminster for Scotland and Wales). Devolution has seen the creation of separate audit bodies for Scotland, Wales and Northern Ireland and the establishment of PACs in each legislature [1]. The amount of time spent on public audit has therefore dramatically increased and provides further evidence for what Power (1994) describes as an “audit explosion” within the U.K.

This chapter examines the structures, responsibilities and working practices of the committee, drawing on the response to a questionnaire that was sent to the U.K. PAC House of Commons by the World Bank Institute in 2008/9 as well as a literature and press review of its work and modus operandi. Achieving good value for public money has always been important, but the aftermath of the financial crisis and the budgetary cuts across most government departments make this an opportune time to re-examine the PAC's role and performance, particularly since the leadership of the committee is now undertaken by its first directly-elected chair. The analysis highlights the growing importance of the NAO and PAC, partly because of increased access rights and partly as a result of the actions taken by the committee in the current parliament.

Heightened PAC visibility has led, in turn, to some criticism and a greater focus on the PAC itself. The NAO's evidence-based findings have long been important for the PAC, but this relationship has now become even more critical with the NAO's reports serving as a shield for the PAC. For its part, the PAC can operate at a more visible and political level than the more circumspect and cautious NAO, taking a sword to waste and inefficiency across the public sector. Finally, the study argues that measuring the impact of the PAC in terms of financial savings and the number of recommendations implemented is likely to undervalue the committee's actual influence.

Powers and Responsibilities

Operating under the authority of the Standing Orders of the House of Commons, principally No. 148, the PAC's remit is 'the examination of the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the Committee may think fit'. The committee has the unrestricted right to access government agencies, statutory authorities, government-owned corporations and government service providers. It can summon officials from any publicly-funded body to which the NAO has access and can summon representatives of any body involved in the spending of public money by virtue of the power, common to all Select Committees, of calling for "persons, papers and records".

The PAC has the right to examine public accounts and financial affairs and can consider issues of efficiency, economy and effectiveness of programme implementation as well as the effectiveness of policy implementation. The PAC does not look at the merits of policy: this falls to the Departmental Select Committees. Indeed, the PAC today seldom looks at the accounts of government departments. This is partly because the programme of value money studies is so intensive and partly because the Departmental Select Committees are now expected to carry out this role (although the extent to which they do so varies). However, the PAC still has the right to take evidence about them, and regularly examines, for example, aspects of the accounts of the Revenue and Customs.

One of the differences across the U.K. concerns a PAC's access to local government. The Welsh PAC has an unrestricted right of access to local government while the scrutiny of local councils in Scotland falls within the responsibility of the Accounts Commission which forms part of Audit Scotland, but reports to Scottish Ministers. England has a separate Audit Commission charged with the oversight of both local government and a range of other locally active bodies and a NAO for central government operations. In other words devolution has enabled Scotland and Wales to adopt alternative audit arrangements which differ from those pursued in England. However, the extent of divergence should not be exaggerated as there are also pressures to converge. In 2007, the five UK audit agencies (the Audit Commission, Audit Scotland, the NAO, the Northern Ireland Audit Office and the Wales Audit Office) jointly launched a set of indicators through the Public Audit Forum with the aim to create consistency across the audit bodies.

England is facing the loss of one of its audit bodies with the Audit Commission expected to close in 2015, 30 years after it was established, with the expectation that independent audit committees will be created within the local authority to ensure the independence of the audit relationship and protect the principle that public bodies should not appoint their own auditors. One of the key justifications for contracting out local government audit to private firms is to bring the public sector audit regime into line with the private sector: arrangements for the monitoring of audit quality will be aligned with those in place for audits of private sector companies carried out under the Companies Act. Whether this is a positive change for local government is a matter for

debate; one issue raised is that the audit of public bodies generally requires a broader scope than the audit of financial statements for private companies.

A further interpretation of the decision to abolish the Audit Commission is that it signals a retreat from the idea of a regulatory state with the centre setting objectives and targets and the local government devising the delivery methods. Indeed, the Coalition government has justified the end of the Commission as part of its commitment to localism and a move away from a “Command and Control” approach to central-local government, particularly evident under New Labour. As a 2014 PAC report highlighted, local authorities were given £36.1 billion in 2013-14, ‘of which £32.9 billion had no specific conditions attached as to how local authorities could use it, other than that spending was lawful’ (PAC 2014, 5).

There does, however, appear to be an inconsistency in the coalition government’s approach and rhetoric. On the one hand there is an attempt to extend the local scrutiny function, on the other local authorities remain dependent on central government and central taxpayers. From a local democracy perspective, the argument that the national legislature, and bodies reporting to Westminster, should have a role in addressing accountability at the local level is controversial. Yet this may be inevitable if money is raised and distributed from the centre as the national legislature has a duty to ensure such money is spent wisely. This view is supported by a 2014 Inquiry into Local Government funding as the Department for Communities and Local Government was unable to confirm that local authorities achieve value for money with government

funding (PAC 2014, 3)). This may justify why some of the Audit Commission's functions will transfer to the NAO, but it is hardly an argument for localism.

The Comptroller and Auditor General (C&AG) will be given the Audit Commission's role of preparing the Code of Audit Practice which sets out the framework within which local auditors carry out their work, and will also be empowered to produce guidance to local auditors. A second provision of the Bill increases the NAO's capacity to undertake examinations regarding the 'value for money' with which local public bodies have used their resources. This was previously the statutory duty of the Audit Commission which, unlike the NAO, had an explicit duty to scrutinise government policy. The hope is that this change will inform Parliament and add value at the local level, but it is worth noting that the government promoted this change without prior consultation with the Parliament. The NAO's examination of local government will focus on studies across local government instead of the workings of individual authorities. However, the current chair of the PAC, Margaret Hodge, has indicated that the Committee would in future seek to look at individual councils' performance (Keeling, 2013). The result is a degree of confusion and uncertainty across local government on the approach and reach of national bodies.

The demise of the Audit Commission and extension of the work of the NAO is evidence of a third trend: the broadening of the U.K. NAO and PAC's access rights. In response to Lord Sharman's 2001 report on audit and accountability in central Government, the C&AG was given the right to carry out public sector audits of the

accounts of certain non-departmental public bodies that are registered companies, as well as their subsidiary companies. This was a response to the fragmentation of public services. Civil list expenditure and the BBC's accounts are also now subject to NAO and PAC scrutiny and the PAC has used this new access to release critical reports on high-profile issues such as the Duchy of Cornwall accounts (PAC: 2013a) and the BBC's relocation expenses as part of its move to a new centre in Salford (PAC 2013b).

Government departments continue to contract work to the private and third sectors and there are still demands for access to further bodies to ensure appropriate oversight and accountability. The current PAC chair is in favour of giving the C&AG the right to examine the accounts of those private businesses which are delivering public contracts and she is also pushing for the government to sign an openness clause when signing a contract with the public sector.

The C&AG and NAO

The C&AG is appointed by the Queen on a motion in the Commons in the name of the Prime Minister (PM) with the agreement of the Chair of the PAC. For the appointment of the current C&AG, the PAC Chair presided over a small appointments panel, including the Permanent Secretary at the Treasury (representing the PM) and the incumbent C&AG, as an independent observer. A name was then put to the PM who

approved the nomination. The then chair of the PAC defended the involvement of the PM as follows:

“there is a need for the Government to have confidence in the person appointed because that person has unlimited access to all private papers and persons of the Government ...the current situation...in which both the Prime Minister and the Opposition Chairman of the PAC have to agree is not unreasonable. I say that as long as the Government appreciate the difference between selection and appointment, they need to be involved in the appointment, but not in the selection. That should be the job of the house”. [2]

The PAC as a body has no formal role in the selection of the C&AG, but it did hold a hearing with the current postholder before he was formally appointed. This is part of a broader trend from 2007 towards pre-appointment hearings which are non-binding on Ministers. It has since been agreed the C&AG-designate will appear before the PAC once a name had been announced, but before the debate on the motion for the appointment. The Liaison Committee (2011: 3) has described pre-appointment hearings as “a modest step forward in securing democratic accountability of ministerial decision-making.” However, it could potentially put the committee at odds in future with both its Chair and the PM.

Previous C&AGs have been appointed for life (or until they have decided to retire), to protect the independence of the position. The term has now been limited to a non-

renewable ten-year term. This brings the U.K. in line with most other European and Commonwealth Parliaments - the AG in Scotland is appointed to a single, non-renewable term of 8 years and the Welsh National Assembly can fix the period of office at the time of appointment. A motion passed by both Houses of Parliament is required to dismiss a C&AG, but neither the Chair of the PAC nor the committee as a whole has a statutory role in this. The U.K. PAC therefore has less formal power than those PACs that are required by law to approve the C&AG's appointment and any motion to remove him or her from office. However, this may under-estimate both the informal power and involvement of the committee through the pre-appointment process and the actual powers and influence of the PAC Chair.

Once appointed, a close working relationship has traditionally existed between the PAC Chair and the C&AG. The C&AG, or his representative, is present at all evidence sessions and can be questioned by members and can also question witnesses at the discretion of the Chair. The NAO also produces the first draft of a PAC report. The clerk then considers the report, before being forwarded to the chair for comment (the normal practice in most other jurisdictions is for the PAC secretariat to draft the report). The C&AG has complete discretion in the choice of the NAO's programme of value for money studies, but is obliged by statute to consult the PAC. It should also be noted that the NAO (2012: 6) is seeking to be more responsive by producing rapid investigations following concerns raised by MPs, whistleblowers and the public.

The non-party aspect of the PACs work, and preference for unanimity – long thought essential for any PAC – is greatly assisted by its ability to draw on the factual, comprehensive and evidence-based reports of the C&AG. Similarly, the PAC increases the authority of the reports of the C&AG, by adding the necessary political weight; the Government is formally obliged to respond to PAC but not to NAO recommendations. A plus-sum relationship is the result. The PAC can also provide more strident criticisms than the more sober assessments released by the NAO. Sharma (2007) documents how NAO Value for Money reports can be altered before final publication and Dunleavy et al. (2009, 44) raise the question of a possible regulatory risk whereby the NAO may have ‘a tendency to ‘pull its punches’ in terms of its comments on departments and agencies, especially in not criticising most departmental figures and reasoning... because of the difficult departmental clearance process, which each report must go through’. Yet, this risk is mitigated by the fact that NAO staff can provide private oral briefings to the PAC and by the work and criticisms of the PAC itself. The NAO provides the ammunition for the PAC to fire and working together they are both better equipped to force departments to justify their actions when spending public money.

The Budget Responsibility and National Audit Act 2011 created the statutory basis for the NAO’s governance, by establishing the NAO as a corporate entity, with a statutory Board. The Public Accounts Commission, a parliamentary committee separate from the PAC but with overlapping membership, is formally responsible for the appointment of the non-executive members of the NAO Board and the external auditor

of the NAO. The Commission is also responsible for scrutinising the NAO's budget: the NAO appears before it twice a year – once to consider the NAO's three-year strategy and once to consider the NAO's estimate. The PAC gives an opinion on the budget, but the decision remains one for the Commission and it is voted directly by Parliament as a separate line in the requisitions of the parliamentary vote.

The arms-length approach between the PAC and NAO is justified because of fears that the PAC may have a vested interest in maximising resources to the Audit Office. Yet resources to the NAO have increased in recent years to cope with its broadened mandate: in 2007 the NAO's budget was £90 million - almost double its budget in 2001 [3]. The NAO (2013: 20) is reducing costs by 15 per cent by 2014-15, but it is notable that support for Parliament is increasing – both to the PAC and to Select Committees – and now acts as about 10% of the NAO's total cost base (Public Accounts Commission, 2013: 13). This is understandable given that the Chair of the PAC is a member of the Public Accounts Commission and her predecessor is the current chair of the Commission. The operational links between the NAO and the PAC therefore remain strong even though these are formally exercised through the Commission.

Membership and Leadership of the PAC

The typical size of a PAC in the Commonwealth is 11 members (McGee, 2012:61). This level of variation is comparable to the relative size of the Parliament and similar

differences exist across the U.K. where the Westminster PAC is the largest with 14 members (reduced from 16 in the previous parliament). The committee's political legitimacy and independence are assisted by its balanced representation and the exclusion of government ministers (Pelizzo & Stapenhurst, 2008: 121). One of the government members on the committee is a Treasury Minister, but this is only a formality and the Minister plays no active part.

Membership of the PAC is proportionate to party membership in the House (again this is the practice – the Standing Orders are not prescriptive as they are in Northern Ireland, Scotland and Wales). PAC members are appointed for the length of the life of the legislature, although the potential exists for members to be reassigned during the term. Permanent membership over the course of a parliament offers stability and will normally assist committee effectiveness and it is therefore a little concerning that almost half of the current PAC has changed since the start of the Parliament. However, the Clerk and the C&AG can also provide continuity.

The PAC consists of both experienced and relatively new members. In the last Parliament, the Father of the House of Commons – the member with the longest unbroken service in the Commons – was an active member. Over half of the current committee were first elected in 2010, but it also includes one Member elected in the 1970s and two members in the 1990s (including the chair). This mixture of experienced and inexperienced members is valuable as it offers an important training opportunity for the latter and the former are more likely to understand the ethos of the

civil service.

One encouraging trend is that attendance by MPs at PAC committee sessions has increased dramatically (Figure 1). This may be a result of the pressure on political parties to arrange for their own members of select committees to be elected in a transparent and democratic way. The application of the 60% attendance rule (where any member of a select committee whose cumulative attendance during a Session is below 60% should be automatically discharged at the end of that Session) may be a further factor. Improved attendance may also be a reflection of the high-profile work the PAC is pursuing under its new Chair.

<INSERT TABLE 1 HERE>

The PAC has always been a busy committee and Members face a heavy workload. It meets twice as often as most other committees and the range of subjects reported on is impressive. This results in a great deal of work for members with the expectation in the 2005-2010 parliament that Members will come to at least half the sessions. This appears to have had an impact on attendance. The 2005-10 PAC worked on the basis that each Member has 10 minutes for questions, so it is likely that the reduction in the size of the committee has created further demands and opportunities for individual members on the committee. The number of PAC meetings may increase in future as the current PAC was granted the power in the 2010-12 session to allow the committee to sit when the House is adjourned, a power available to other select committees. This will give the PAC further flexibility when arranging its schedule. The PAC has also

continued the practice of its predecessor committee by meeting occasionally outside of London in an effort to move away from a predominant London-centric approach.

Chairing the Committee

The chair is required by convention and statute to act on the Committee's behalf in a number of respects and the PAC is invited to agree at the beginning of each parliament a resolution recognising those special responsibilities. These normally include dealing with any correspondence received (or delegating to staff): is consulted by government departments on issues such as contingent liabilities; and on matters of great sensitivity has an *ex officio* statutory role.

By convention and now set down in the Standing Orders (122B) the Chair of the PAC is always a Member of the main Opposition Party. This reflects the practice across the Commonwealth where 67 per cent of chairs are opposition members (McGee 2002: 97). While the Members of the Committee used to formally choose the Chair, the practice was for the Opposition whips to select the candidate. Since May 2010, however, the Chair of the PAC, alongside the majority of Select Committee chairs, is elected by MPs in a secret ballot under the Alternate Vote System. There were 6 candidates for the PAC Chair position (the most candidates for any Select Committee position, which may well reflect the PAC's reputation as being parliament's pre-eminent committee). The ex-minister Margaret Hodge won the secret ballot, beating her nearest rival by six votes in the fifth round of voting. Although all MPs were

entitled to vote in the ballot for each Chair, only members of the Labour party were eligible to stand as candidates for the PAC position.

Ms. Hodge cites two main reasons for her election: she is the first woman to hold the position of PAC Chair and her high-profile campaign to defeat a fascist candidate at the 2010 General Election [4]. It is interesting that her previous government experience was not presented as an asset. The importance of executive experience is an under-researched area when evaluating the impact of Select Committee Chairs and this is potentially even more important for a PAC as it scrutinises a much broader area of government machinery. Of course a Chair's own record as a Minister may cause some issues of conflict of interest, especially if the time lag is not great between a ministerial post and a committee chairmanship. Indeed the very first hearing under Ms Hodge's chairmanship was on a programme she had initiated in government.

There can be little doubt that the PAC has raised its public profile under Ms. Hodge's leadership. A recent analysis of the most important UK press database (run by Lexis-Nexis) shows there has been a substantial increase in press coverage of House of Commons Committees since 2008 with four committees, including the PAC, being the main reason for this increase (Dunleavy, P & Muir, D, 2013). Russell & Benton's (2011: 22) research assessing the performance of select committees in the U.K. found that fewer than one in 10 select committee reports could be considered 'agenda setting,' but the PAC has been successful in setting the agenda on matters concerning the issue of tax avoidance of companies [5] for example, and changing the terms of

political debate in relation to the costs of High Speed Rail.

The number of PAC reports also provides an illustration of the PAC's workload and it is perhaps not surprising that the U.K. PAC produces more reports than other UK Select Committees given the support of the NAO. As a guide, the PAC produces a similar number of reports per session than the Health and Home Affairs Select Committees produced over the period 1997-2010 (Russell & Benton, 2011: 18). Figure 1 does suggest that the number of PAC reports has reduced somewhat. As the activity of the PAC is not decreasing, this may be a reflection that the PAC is taking longer in its inquiries as well as the increased focus on follow-up (see below).

One result of the increased public profile is increased attention – and criticism – of the PAC and Ms. Hodge's abrasive style of questioning. Ms Hodge's campaign to tackle company tax avoidance, involving bringing Starbucks, Google and Amazon before the PAC to answer questions, was highly regarded, but there have been criticisms from business witnesses and anonymous briefings from within the Treasury that the prospect of public humiliation at a public hearing will make businesses think twice about where to invest (Mason, 2014). The Chancellor of the Exchequer, George Osborne, has broken the convention that ministers do not criticise outright the conclusions of a PAC report by publicly criticising the PAC and its Chair for its critical report on the way that the royal household is controlling the Queen's finances. This may be one of the consequences both of giving the PAC chair a personal mandate and the involvement of the PAC in high-profile cases of public concern. Given the

increased focus on the PAC, the importance of the evidence-based findings of the NAO is likely to become ever more apparent as it will be difficult to dismiss the PAC if it is grounded on the NAO's investigatory work and the committee continues to be non-partisan. There is no evidence of any criticisms from within the PAC (nor from the NAO). Such criticisms would have more serious consequences for the PAC's reputation.

A further criticism of the PAC was made by the former Cabinet Secretary, Lord O'Donnell, who expressed concern at the way the PAC questions and treats civil servants following a decision by the committee to take evidence from one official under oath. There is certainly a very robust approach to questions under the current committee and a readiness to challenge individual civil servants. Ms Hodge has introduced the practice of calling back civil servants who have changed jobs to answer for actions taken in a previous position. Further changes introduced include calling witnesses from private companies who provide public services and questioning the senior responsible officer within a department rather than the Permanent Secretary/Accounting Officer. This is a welcome improvement on previous practice which saw many public servants escape accountability to Parliament.

The PAC has also expanded its work from measuring financial impact in terms of savings to also include consideration of actual service delivery from the feedback of clients. The NAO has included extensive material on quality of service and client feedback for several years, but the PAC has recently begun calling additional witnesses

so the committee can hear from those experiencing programmes delivered by public money [8]. An examination of the Sessional Returns for this Parliament (2010/13) shows that the number of appearances of “other” witnesses – a rather unhelpful description – jumped to 36% from 12% in the 2005-2010 Parliament. The percentage of appearances by officials from, or representatives of, government departments has remained steady (49% compared to 51%) as has the proportion of appearances of officials from executive agencies (2.2 % and 4.3%). The biggest decrease has been the number of witnesses of officials from or representatives of public bodies and non-Ministerial departments (12% and 43%). The PAC is also seeking to innovate and take on matters under their remit which are separate from the C&AG’s value for money reports and the Standing Orders were amended in the 2010-12 Session to allow it to appoint specialist advisors, alongside the other Select Committees.

PAC Reports

A study (Dunleavy et al, 2009: 27-28) of the previous parliament found that some departments (for example the Departments of Health and Education) were reported on by the PAC much more than others. The same study found that 72 per cent of NAO reports go to the PAC, but the take-up rate was comparatively low for the cross-governmental VFM studies. The study concludes that PAC members tend to find such studies ‘too abstract or not meshing with their constituents’ experiences ...[or not] very newsworthy’. There were 20 cross government reports issued by the PAC between 2003-2009, fewer than reports on the Departments of Health, Education,

Defence and similar to the Home Office, Department for Work and Pensions, Transport and Environment, Food and Rural Affairs.

An examination of PAC reports in the current U.K. Parliament (May 2010 – Feb 2014) shows that cross government studies have become the most common subject reported upon (Figure 1). The NAO reports that many within government have welcomed comparative work between departments and it has responded by increasing the number of cross-government studies and by organising and applying its expertise to clusters of departments that face similar strategic issues. For example, one cluster covers three departments which have almost all the major contracting and long-term project activities in government (Defense, Transport and Environment) and it is hoped that this cross-scrutiny will encourage government to compare results and learn lessons across departments (Public Accounts Commission, 2013).

<INSERT FIGURE 1 HERE>

A further method of reporting across sector and cross-government studies is the examination of an issue, such as procurement, over a period of time using a consistent framework. The NAO has also adapted its approach towards an examination of how government is operating in the present, including how projects and programmes are set up, instead of the traditional focus on the recent past. The value of this approach is that the NAO/PAC can point to issues while they can still be corrected and focus on forward planning. For example, on the basis of a report by the C&AG, the PAC examined the Department for Culture, Media and Sport and the Olympic Delivery

Authority on the progress that had been made in preparing for the Games, and the areas of risk that needed to be managed (PAC 2007). Such studies boost the timeliness of PAC activity and will raise its profile in the media.

PAC Recommendations and Follow-up

In 2012/13 the government wholly or partially accepted 82% of all the recommendations of the PAC (NAO, 2013: 17) which is a substantially higher number than the 40% of select committee recommendations accepted by government (Russell & Benton, 2011: 7) and the 70% of cases accepted by governments across the Commonwealth (Stapenhurst, 2005: 145). The higher success rate of PAC recommendations is partly explained by the fact that NAO audit reports are agreed with departments, making it difficult for the government to ignore the PAC. PAC recommendations also relate to improving the implementation of policy which are easier to implement than the recommendations produced by many of the other select committee on the actual merit of policy. However, these are still impressive figures and it should also be noted that PAC reports are often more hard-hitting and critical than both NAO and departmental select committee reports.

Having recommendations accepted is important – but measuring implementation is even more important to demonstrate actions and outcomes from the audit process. The government implemented 58% of recommendations in the 2010-12 Parliamentary session with the final figure expected to be 90%. (NAO, 2013: 22). Again this is a

higher implementation rate than most departmental select committees and one crucial variable to determine the success of recommendations identified by Russell and Benton (2011) is basing reports on clear evidence and new research. Such findings reinforces the significance of the NAO's value for money studies and financial audit work.

There is now evidence of a more formal process to monitor and follow-up the implementation of government responses to PAC recommendations in the U.K. The NAO has a practice of producing comments for the Committee on all government responses and, as mentioned above, a number of issues are now considered regularly. The PAC does often write to Departments **to** follow up poor performance, for example a recent chain of letters on civil service reform was cited in the PAC's session on 7 July 2014 on the Centre of Government. A practice has also been introduced in the current parliament where the PAC has a recall session twice a year to study the implementation of PAC recommendations. The fear of recall acts as an incentive for departments to implement recommendations and there are plans to strengthen recall by randomly selecting reports for scrutiny.

Evaluation of Performance

One criticism of PACs is that they can be too critical and discourage innovation and risk. This may be exacerbated by the media's tendency to focus on reports that are critical of departments and permanent secretaries. The PAC does attempt to give praise

where it is due: for example its post-Games review into the London 2012 Olympic Games and Paralympic Games praised the way government departments worked together and with other bodies to deliver complex programmes. However, most of the coverage concerned the one negative aspect of the report relating to the planning for venue security. It is right that the PAC should act as an incentive to better performance in government, but the PAC may have to make more effort to publicise examples of good practice to balance the media's focus on criticisms and to maintain the confidence of government departments.

A common performance measure used by Supreme Audit Institutions and PACs is the amount of money saved through its value for money reviews. In 2012-13 60 value for money reports were published at an average cost of £197,000, against a target of £218,000. NAO (2013, 14) reports in the U.K. cost more than £100,000 each to produce, but its work led to savings to the public purse of almost 1.2 billion. These are significant savings at a time of financial pressures and both the NAO and the PAC are justifiably credited for helping government to save public money.

It is difficult to divorce the impact of the PAC from the NAO. Three traditional measures used to assess impact are the implementation of PAC recommendations; the views of senior public servants who are most affected by the PAC; and the quality of press coverage of PAC hearings and reports. Assessing the views of senior public servants offers a different methodological approach by looking at relationships and anticipated reactions. Russell & Benton (2011) provide a broader definition of select

committee influence including, contributing to debate, drawing together evidence, spotlighting issues, brokering between actors in government, improving the quality of government decision-making through accountability, exposing failures, and ‘generating fear’. It is not difficult to apply such influence to the work of the PAC today.

In short, the number of PAC recommendations accepted and implemented, though impressive when compared with other select committees, may actually understate the PAC’s impact on those entities which are answerable before it. Flegmann (1979, 169) describes the committee as having a ‘continuous influence on departmental administration [and they] make every effort to reduce the number of occasions which make it necessary for the Permanent Secretary to appear in front of the PAC’. The fear factor is also illustrated by Drewry’s (1989: 157) comment that the PAC is ‘the one select committee before which even the most exalted permanent Secretary can be made to tremble’.

Lonsdale (2000) adds a further dimension by arguing that reports by NAO and PAC have an impact on parliament itself by providing information that can inform select committees’ work. There is certainly evidence that other Select Committees are making more use of the NAO. As mentioned earlier, the money budgeted by the NAO to Parliament is increasing whilst other budgets are shrinking. The NAO responds to queries from select committees and individual MPs and some of these queries eventually lead to a full value for money report. The NAO also produces performance

briefings to assist Select Committees' annual oversight of departments' performance; during 2012-2013 the NAO provided 15 select committees with an overview of their work to assist the committee in their annual review of the relevant government department. This included a review of charity regulation for the Public Administration Select Committee and a review of sustainable procurement in government for the Environment Audit Committee (NAO, 2013:17).

Despite some improvement, the NAO's own figures show a considerable number of departmental select committees are still not making use of the NAO in any capacity. It is worth restating that any U.K. select committee can take evidence on a NAO report if the PAC does not wish to do so. Dunleavy (1990) has proposed that the PAC should leave single-department reports to the relevant select committee and focus instead on cross-departmental issues in a more focussed way. This has not happened to date and there does not appear to be any systematic attempt to encourage Select Committees to examine NAO reports on individual departments. The assumption and working practice is that the PAC remains the most appropriate committee to undertake inquiries based on NAO reports. However, there is also an argument that departmental select committees should make use of the NAO's sector reports to identify and learn from general issues in that sector and to assist their examination of Main Estimates, annual expenditure and annual resource accounts. It remains to be seen how effective passing responsibility to the departmental committees would be in practice and it would probably depend on the willingness of the members of each committee, and the chairs

in particular, to undertake the task. This could be something to attempt on a trial basis with cooperative committees in a future parliament.

Finally, few PACs adopt a formal mechanism for measuring their performance, and this is usually only carried out in an annual review/sessional report or reported directly to corporate body/internal management. The PAC is perhaps guilty alongside other Select Committees of not addressing the criticisms of Brazier & Fox (2011) by not reviewing and assessing the way in which they discharge their work. A strategic plan at the start of each Parliament would bring greater accountability of its own work and enable the PAC to make a judgment on their own effectiveness, successes and failures over the course of the parliament. The PAC chair may find such work useful if she decides to seek re-election in the next Parliament, but it would also be a useful device in its own right – particularly given the PAC’s increased public profile. A further option would be to produce a “legacy” paper at the end of the Parliament - this will be easier to arrange in a fixed-term parliament – as this has proved to be a useful tool for passing on experience to successor committees in Scotland.

Conclusion

This chapter has examined the work and performance of the PAC following recent changes and trends in public audit and wider changes across the U.K. The committee now has a reduced role in scrutinising only those items of expenditure in Scotland, Wales and Northern Ireland which have not been devolved. At the same time there has

been a broadening of access rights, most recently in relation to the BBC and civil list expenditure. A further significant change, not without controversy, concerns the imminent closure of the English Audit Commission and the transfer of some functions to the C&AG and NAO. The PAC and its vocal chair are keen to push the PAC into new areas that have hitherto escaped scrutiny. As access rights increase, care will need to be taken not to take the NAO/PAC into the policy arena.

The relationship between the PAC and NAO remains strong with the PAC Chair having a leading role in the selection process and the pre-appointment hearing which will now take place with a prospective C&AG before the formal appointment. While the committee may have less formal power than other PACs in the election and dismissal of C&AG, the pre-appointment process and the actual powers and influence of PAC Chair (now directly elected) are considerable. It is difficult to imagine a C&AG accepting the position without the support of the committee. In terms of the operational links between the NAO and PAC, the current Public Accounts Commission – the body with responsibility to examine the NAO Estimate and lay it before the House - is chaired by the former chair of the PAC and all the members (bar one) are former or current members of the PAC (including the current PAC Chair). Therefore, it is rather misleading to say that the PAC is removed from operational oversight of the NAO.

PAC Members continue to be appointed for the term of the parliament and this longevity of membership together with the maintenance of a nonpartisan culture (there has not been a division on a PAC report since the 1960s) has always strengthened the

committee. There is a good mix of experienced and newly-elected MPs on the committee, although one area of concern is the high degree of turnover of PAC members. This is balanced by improved attendance at PAC meetings in the current parliament.

The PAC has also increased its public profile under its first directly-elected chair, who has been successful in setting the agenda in areas such as tax avoidance and areas of topical political debate. She has used her membership of the Liaison Committee to raise PAC-related issues in questions to the PM. The changes made to the way the PAC operates - questioning the senior responsible officer within a department rather than the Permanent Secretary/Accounting Officer and calling back civil servants who have changed jobs to answer for actions taken in a previous position – have dealt with some of the frustrations expressed by previous committees when trying to enforce accountability across the public sector.

The PAC's higher visibility has led to a great deal of praise as well as some criticism of the committee. The non-party aspect of the PAC's work, and preference for unanimity has always been a great asset to the committee, as has its ability to draw on the factual and comprehensive reports of the C&AG. These practices and relationships become even more crucial following the PAC's move towards new areas of scrutiny. It is also likely that the PAC's own performance will become subject to greater scrutiny. The NAO's evidence-based reports will not prevent all criticism (nor should it) but it does act as a shield for the PAC. Similarly, the PAC acts as a sword to attack

waste and poor performance across the public sector as the committee can be much more critical and forthright than the NAO and provide the necessary political weight to the C&AG's reports. An enduring working relationship is the result as the two bodies enjoy an interdependent relationship. Against this backdrop, it is not surprising to learn that the NAO's support for Parliament is increasing at a time of cuts and savings elsewhere within the organisation. It is in the NAO's interests that the PAC maintains its effectiveness.

NAO/PAC reports now range from the traditional value of money sector reports to the increasing number of cross government studies. Two further approaches are also evident: repeat studies that track performance over a period of time and examinations of how government is operating in the present, rather than in the recent past. In terms of impact, the NAO and PAC can point to impressive statistics in terms of the agreement and implementation of recommendations, even more so when compared with other select committees. This is likely to be a result of reports being based on clear evidence and the fact that NAO reports are agreed with departments.

The savings to the public purse through the value for money reviews are impressive – especially during a time of financial austerity – but the fact that the NAO/PAC are expanding their work to include consideration of actual service delivery from the feedback of clients, shows that measuring impact can be broadened from a narrow and traditional focus on savings and implementation of audit recommendations. The new practice of recall sessions is likely to increase the fear factor, for example and the

PAC's work and reach across Whitehall supports recent research showing that select committee influence is often felt in more subtle ways, such as contributing to debate and anticipated reactions.

There is still much the PAC can do to improve its performance and to avoid the committee from appearing too protective about its relationship with the NAO. The committee should review and assess the way in which they discharge their work and publicise the results, perhaps through a legacy report at the end of this fixed-term Parliament. As part of this strategy, the PAC could also encourage other Select Committees to make more use of NAO reports, perhaps by encouraging other committees on a trial basis to take evidence on single-department reports leaving the PAC free to focus in more depth on cross-departmental issues and issues of priority. By looking inward as well as outward, the PAC may be able to cement its status as the committee *primus inter pares* among select committees of the House of Commons.

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Endnotes

[1] PACs have also been established in two British Crown dependencies: Guernsey and Jersey with the latter also introducing the position of an Auditor General (AG). A third Crown dependency, the Isle of Man, has also recently restructured its PAC and passed legislation agreeing that an AG function should be introduced. The three countries are not part of the UK but are self governing dependencies of the Crown.

[2] HC Deb 23 Jan 2008: c1527

[3] Commons Hansard, 19 April 2007, col. 494-495

[4] Speech given by Margaret Hodge at the 3rd Westminster Workshop: The Public Accounts Committee, 24-27 June 2013.

[5] It can do this work because the NAO has the right to examine the role of tax authorities in deciding how much private companies paid in tax.

[7] Speech given at Westminster Workshop, March 2012.

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