House of Commons

The Public Accounts Commission

Twenty-seventh Report: Work of the Commission in 2021

Presented to the House of Commons pursuantto section 2(3) of the National Audit Act 1983

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The Public Accounts Commission

The Public Accounts Commission is defined by the National Audit Act 1983 and the Budget Responsibility and National Audit Act 2011. The Commission's principal duties under the Acts are to review the National Audit Office (NAO) Estimate and lay it before the House of Commons, to appoint the accounting officer for the NAO, to appoint an auditor for the NAO, to appoint non-executive members of the NAO board (other than the chairman), and to report from time to time.

Current membership

Mr Richard Bacon MP (*Conservative, South Norfolk*) (Chair)

Jack Brereton MP (*Conservative, Stoke-on-Trent South*)

Nicholas Brown MP (*Labour, Newcastle upon Tyne East*)

Anthony Browne MP (*Conservative, South Cambridgeshire*)

Clive Efford MP (*Labour, Eltham*)

Peter Grant MP (*Scottish National Party, Glenrothes*)

Dame Meg Hillier MP (*Labour (Co-op), Hackney South and Shoreditch*) (ex-officio as Chair of the Public Accounts Committee)

Sir Edward Leigh MP (*Conservative, Gainsborough*)

Mark Spencer MP (*Conservative, Sherwood*)

Publications

The Reports and evidence of the Commission are published by Order of the House. All publications of the Committee can be found on the publications page of the Committee website.

Committee staff

The current staff of the Commission are Bradley Albrow (Secretary to the Commission) and Arvind Gunnoo (Committee Operations Officer).

Contacts

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Contents

Introduction

1. This is the twenty-seventh report made to the House of Commons since the establishment of the Public Accounts Commission under the National Audit Act 1983. This report covers the work of the Commission during the calendar year 2021.

2. The Commission has nine members. Two—the Leader of the House of Commons and the Chair of the Committee of Public Accounts (PAC)—are members *ex-officio*. The others are appointed by the House of Commons.

3. The following were members of the Commission in 2021:

Mr Richard Bacon (Chair)

Mr Nicholas Brown

Jack Brereton

Clive Efford

Peter Grant

Dame Meg Hillier (*ex-officio* as Chair of the Committee of Public Accounts)

Sir Edward Leigh

Mr Jacob Rees-Mogg (*ex-officio* as Leader of the House)

4. Richard Bacon was Chairman of the Commission throughout 2021.

5. Kevin Maddison was Secretary of the Commission until September 2021, when Bradley Albrow took over. Arvind Gunnoo was the Operations Officer throughout 2021. The Commission was supported in its work by Larry Honeysett, Head of Financial Scrutiny at the House of Commons, until his retirement in July 2021. The Commission recorded its thanks for Larry's distinguished service over many years. Alex Knight, Senior Economist in the Scrutiny Unit took over from Larry in September 2021, and has been supported by Louise McNair, Financial Specialist in the Scrutiny Unit.

6. In November 2021, the Commission appointed Lynn Pamment to independently advise the Commission on the quality of the National Audit Office's audit.

Statutory functions

7. The Public Accounts Commission was established under section 2 of the National Audit Act 1983. The Budget Responsibility and National Audit Act 2011 put the arrangements for the governance of the NAO on a statutory basis and, in particular, established the National Audit Office as a body corporate. It also revised the statutory responsibilities of the Commission.

8. Section 23 of the 2011 Act states that the NAO and the Comptroller and Auditor General (C&AG) must jointly prepare an Estimate of the NAO's resources, including resources necessary for the C&AG's functions. The Commission must review the Estimate and lay it before the House of Commons—modified where it considers appropriate—and in doing so must have regard to any advice provided by the Public Accounts Committee or the Treasury.

9. Under paragraph 4 of schedule 2 of the 2011 Act, the Commission also appoints non-executive members of the NAO board (other than the Chair), on the recommendation of the Chair of the NAO. In the event of the Commission not appointing the recommended candidate, the Chair of the NAO must make another recommendation.

10. Under paragraph 24 of the same schedule the Commission must appoint the C&AG (or some other appropriate person) as the NAO's accounting officer. Under paragraph 25 the Commission must approve the appointment of an auditor for the NAO for each year and lay the NAO's Report and Accounts before the House of Commons.

11. Paragraph 1 of schedule 3 of the 2011 Act requires the NAO and the C&AG to prepare and maintain a strategy for national audit functions, including a plan for the use of resources. This strategy (including any revision) must be submitted for approval to the Public Accounts Commission (which may modify it) having regard to any advice given by the Treasury.

12. Under paragraph 8 of the same schedule, the Commission must approve any revision to the Scheme of Audit Fees and, under paragraph 10, must approve a Code of Practice dealing with the relationship between the NAO and the Comptroller and Auditor General.

Work in 2021

13. The Commission held four meetings in 2021. Formal minutes of these meetings are published on the Commission's website.[1] Oral evidence from witnesses was taken in public at three of these meetings and was webcast on the parliamentary website.

14. Three oral Parliamentary Questions were tabled to the Chairman of the Public Accounts Commission during 2021.[2]

15. On 2 March, the Commission met for the first time in 2021 to consider a progress update on the NAO's strategy for 2020–21 to 2024–25, and the NAO's Estimate for 2021–22.[3] The Estimate sought approval for a net resource requirement of £80.20 million and a net capital requirement of £2.3 million.[4] In doing so, the Commission had regard to advice from the Treasury.[5] The Treasury indicated some areas the Commission may wish to explore further, including; staffing, pay, office rental, travel, and ways of working. Oral evidence was taken from Mr Gareth Davies, the Comptroller and Auditor General, Dame Fiona Reynolds, Chair, and Daniel Lambauer, Executive Director, NAO.[6] The Commission agreed the Estimate requested by the NAO and laid it before the House.[7]

16. On 6 July the Commission met in private to agree its annual report for 2020.[8] The Commission also agreed a response to the Government's proposed reforms to the independent supervision of the Auditors General,[9] and to pilot arrangements for overseeing the NAO's audit quality in the Autumn of 2021.

17. On 23 November, the Commission held its third meeting of 2021. The Commission questioned Gareth Davies, Comptroller and Auditor General, Kate Mathers and Elaine Lewis, Executive Directors, NAO, on the quality of the NAO's audit work.[10]

18. On 30 November, the Commission held its final meeting of the year. The Commission questioned Gareth Davies, Comptroller and Auditor General, Dame Fiona Reynolds, Chair, and Daniel Lambauer, Executive Director, NAO on the NAO's Annual Report and Accounts for 2020–21.[11] This was the first time the Commission had scrutinised the NAO's Annual Report and Accounts in this way.

19. Following the Commission's meetings on 23 and 30 November, the Chair wrote to the Comptroller and Auditor General, with follow-up questions.[12] A response was received on 2 February 2022.[13]

1 Public Accounts Commission
2 Oral questions from Mr Philip Hollobone MP were answered on 21 January, 22 July, and 9 December.
3 Transcript, 2 March 2021
4 National Audit Office Main Supply Estimate 2021–22
5 Letter from the Treasury, 29 January 2021
6 Transcript, 2 March 2021
7 House of Commons Votes and Proceedings, Wednesday 12 May 2021, No. 2
8 Public Accounts Commission, Twenty-sixth Report: Work of the Commission in 2020, HC510
9 Department for Business, Energy and Industrial Strategy, Restoring trust in audit and corporate governance: Consultation on the government's proposals, March 2021
10 Transcript, 23 November 2021
11 Transcript, 30 November 2021
12 Letter from the Chair to the C&AG, regarding follow-up from the November hearings, dated 17 December 2021.
13 Letter from the C&AG to the Chair, regarding follow-up from the November hearings, dated 2 February 2022.