

Holding the Government to Account for its Finances: The ‘Unsung’ Heroes of the UK Parliament Scrutiny Unit

Abstract

Purpose

This paper describes the role and remit of the Scrutiny Unit, which assists Members of Parliament (MPs) with the analysis of accounting data.

Design/Methodology/Approach

The analysis is developed through an understanding of the secondary literature and practical experience of the work of the Unit.

Findings

The Scrutiny Unit is an unappreciated and yet vital part of the way in which financial scrutiny operates within the UK Parliament. It translates to MPs key financial and economic documents including the budget and accounts. It is a unique institution, covering the entire financial cycle of approval and accountability within Parliament.

Originality

This is the first descriptive piece on the Unit in an accounting journal and contributes to our understanding of how financial accountability works within the UK Parliament.

Key words: Accountability; Financial Scrutiny; Public Finance; Budget; Government; UK Parliament; Democracy

Introduction

The Scrutiny Unit at the House of Commons in the UK provides select committees and members of the UK Parliament with support and advice to enable them to interpret, analyse and scrutinise financial information published by the Government. The Unit also offers other services to the House including assisting with the scrutiny of draft bills and coordinating the evidence collection of Public Bill Committees. In this article, we focus on the Unit’s financial duties and its role in assisting Members of Parliament (MPs) in holding the Government to account. The Unit has a small number of staff but is crucially important to the ability of Parliament to perform its role in holding the Government to account. In this article, we describe how the Scrutiny Unit functions and what it does, against the background of calls within the literature for further analysis of the reception of financial information (Santis et al., 2018, p. 243). We conclude by suggesting that analysis of the function and role of the Unit indicates further areas for research in the way that democratic financial accountability within and outside the UK functions.

The role of Parliament with regard to finance

Democratic accountability rests upon accountability for finance (Dewar and Funnell, 2017, p. 1; Ferry et al., 2015). It is widely accepted, despite some recent populist challenges (Muller, 2016 pp. 60-68), democratic government does not solely rest in the election of a government

but also is a procedural form of government wherein constitutional rules and norms restrict a government's competence to act. One of the most important of those norms is the financial accountability of the executive to the legislature or the people. The principle that taxation can only be raised with the consent of the taxed is central to many democratic constitutions. Once Governments recognised that they could only raise taxation by consent, they moved quickly to recognise that the electorate or legislature had a right to examine the way in which the money raised was spent. In modern representative democracies, this relationship still holds, and it is the legislature which assumes the duty of holding the Government to account.

Parliamentary accountability for finance is a key and ancient principle of the UK constitution. The principle that the consent of the electorate is required for taxation to be levied goes back hundreds of years. The idea that only Parliament can grant the right to spend money to the Government goes back to the 1690s. Over time, this has evolved into a principle that Parliament has the right to approve the way that Government allocates money (with limited rights to change how the Government has done this) and has the right to scrutinise that allocation. Parliamentary scrutiny of how that money is spent dates, in its modern form, to the 1860s when the then Chancellor of the Exchequer, Gladstone created the Public Accounts Committee, the Exchequer and Audit Department (the forerunner of today's National Audit Office (NAO)) and the infrastructure of accounts that the UK still has today. Currently these three separate types of authority are displayed through three separate Parliamentary processes being the Budget and associated Finance Act which authorise taxation, the Estimates and associated Supply and Appropriation Act which authorise spending and the Accounts (which enable the process of scrutiny). These processes roughly coincide with what Ferry and Eckersley (2011, 2012, 2015, 2019) describe as the four acts of financial control in central and local government relations being the spending review, budget, audit and accountability, and risk management arrangements. Prior to the Estimates, the Government also publishes multi-year Spending Reviews: whilst not formally approved by the House, they may be scrutinised by it, although the degree to which this happens in practice can vary considerably. In the UK Parliament, these scrutiny processes involve both the Chamber of the House of Commons and its specialist select committees. The Budget and Estimates are approved by the Chamber. The Estimates and Accounts are scrutinised within the departmental select committees (and occasionally, in the case of the accounts, within the Public Accounts Committee) and the Treasury Committee often holds a hearing on the Budget documents soon after they are published. Scrutiny has contemporary relevance too. There is plenty of scholarship on the importance of financial scrutiny against the context of public expenditure policy after the 2008 financial crisis (Ferry and Murphy, 2015; Barbara et al., 2017; Murphy et al., 2019). Financial scrutiny's political importance has risen recently due to the response to the COVID pandemic (Ahrens and Ferry, 2020, Heald and Hodges 2020). Financial scrutiny therefore plays both a crucial constitutional role and an important part within current political discourse.

The scrutiny of finances creates difficulties for MPs, as the documents concerned are incredibly technical and aspire to meeting best professional standards (Hyndman et al., 2017, p. 1386). For example, the Budget documents use economic analysis to underpin their forecasts (since 2010 provided by the independent Office for Budget Responsibility (OBR)). The Estimates use a set template and are normally published twice a year, once when the Government requests initial funding and secondly when the Government requests a top up (or reduction) in funding (the supplementary estimates before the year-end). The Accounts used within the UK are now drawn up according to International Financial Reporting Standards. The documents are long, being often hundreds of pages in length in the case of the Estimates and Accounts. There have been numerous calls for them to be made shorter and more accessible for MPs but there are

inescapable complexities involved in publishing financial information for the entire public sector. Outside organisations do assist Parliament in their work scrutinising these documents. The OBR compiles economic forecasts consistent with Budget. The NAO publishes Departmental Overviews that summarise the main information in the annual reports and accounts and other information revealed through the NAO's value for money reports (Midgley, 2019, p. 789). However, the technical challenge for MPs remains a large one. This is exacerbated by the fact that most of the staff working for select committees are either experts in the procedure of the House of Commons or subject matter experts, rather than having expertise in public finance or economics. Select Committees do employ advisors from outside (for example, from academia and/or the finance industry) either for specific inquiries and/or to assist with an entire area of work: but the access they have to these advisors is ad hoc and varies in effectiveness.

The Scrutiny Unit and MPs

The Scrutiny Unit was created in 2001 to fill the gap around scrutiny of finances (Midgley, 2019, p. 790). The Scrutiny Unit's finance team comprises a small group of qualified accountants, economists and data visualizers employed to assist the Committees and the Commons in their scrutiny of Government financial information. The Unit provides two forms of support to the Commons: firstly, they provide regular support on the main fiscal events of the year and secondly, they provide one off support to select committees where and as required. In doing this, the Unit provides analysis of financial and statistical information. For example, the Unit's staff examine both accounting data (presented in the Annual Reports and Accounts), statistical data (presented in the Public Expenditure data published by the Office for National Statistics) and economic data (presented in the annual budget).

The first form of support includes providing briefing to select committees on the Spending Review, Budget, Estimates and Accounts. The Unit supports the scrutiny of the Spending Review by providing briefing to select committees about the impact of it on their departments. The Unit also provide similar briefings to select committees on the impact of the Budget on their departments. The Unit provides briefing to all MPs in advance of debates on the Main and Supplementary Estimates each year. This briefing covers the entirety of the Estimates published by the Government, plus more detailed briefing on the particular Estimates selected by the Backbench Business Committee for debate within the Commons. Each Estimate is also scrutinised by the relevant departmental select committee, with committees often following up on spending issues relevant to Estimates through correspondence with the department. The Unit supports committees in this through oral briefings, data visualisations, drafting letters to departments and explaining and considering the responses which Committees receive. The Unit provides major support to the departmental committees in advance of their annual hearings on the departmental annual reports and accounts. The Unit therefore supports the parliamentary cycle of financial approval and reporting at every point.

Secondly, the Unit Staff also assist the Commons by providing ad hoc expertise to select committees when committees require financial or economic skills. For instance in recent years the unit has provided support for committee inquiries into health spending, local government sustainability, the demise of Thomas Cook (a large British global travel and tourism business), international aid and many others. The unit also gets involved in analysing and interpreting performance and non-financial statistical information, and assisting Committees to understand the value for money and effectiveness of spending programmes. Support can take the form of producing briefings, explaining background, suggesting questions for committees to ask and

drafting parts of committee reports. The Unit is also heavily involved in inquiries focussed predominately on the financial accountability of Government to Parliament, such as the Liaison Committee's 2009 work on financial accountability, the Public Administration and Constitutional Affairs Committee's (PACAC) work on accounts and the Procedure Committee's recent work on Estimates and a proposed Commons Budget Committee¹. Staff from the Unit have also assisted in the production of more general briefings sometimes working in conjunction with the House of Commons Library, for example on the financing of Heathrow Airport or local government.²

In addition to support to the House of Commons itself, the Unit supports the House by promoting financial accountability outside of Parliament. Within the UK the head of the Unit's finance team sits on the Financial Reporting Advisory Board that helps the Treasury administer the introduction of new standards into the UK public sector financial accounting; and assisted the Treasury's recent review of financial reporting across government.³ The Unit also enjoys strong ties with its counterparts in the devolved Parliaments of Scotland, Wales and Northern Ireland within the UK. The Unit represents the UK Parliament at international fora concerning financial accountability and enjoys strong links with bodies such as the Organisation for Economic Cooperation and Development who also promote financial accountability. The Unit's wider work in promoting financial accountability also takes in promoting financial information to the public through the publication of data visualisations for the Estimates and Spending Reviews.⁴

The function of the Unit: obscure but important

The role of the Scrutiny Unit has not been described in the accounting literature, as far as we know, and academic references have been passing (e.g. Midgley, 2019 p. 790), but it lies at the centre of the system of financial accountability in the UK. Understanding the Unit's place in the system has become more important. This is because some of the fundamental axioms of financial accountability are being challenged, for example, through the Procedure Committee's embrace of a Parliamentary Budget Committee. In addition, the Government has acknowledged the need for change both to the Estimates process by allowing more debate of the estimates and to the way that accounts are published through embedding PACAC's principles in guidance.

The Unit's function is primarily one of translation. It translates the technical financial, economic and statistical data received by Parliament into a form that members of the House of Commons and their select committees can use. Some other bodies provide similar services such as the NAO through their departmental overviews, but the Unit's position within the House Service and its function across the whole of the spending cycle make it unique. The importance of the Unit points to several gaps in the current literature on democratic accountability. The first is that whereas the accounting literature concentrates on accounting data, the Unit's remit spreads across both accounting and non-accounting statistical data and it uses both to help MPs hold the Government to account. The second is that whereas the literature focuses on the preparation of accounts and their audit by Supreme Audit Institutions, it does not focus on the

¹ <https://publications.parliament.uk/pa/cm200809/cmselect/cmliaisn/804/80402.htm>,
<https://publications.parliament.uk/pa/cm201617/cmselect/cmpubadm/95/95.pdf>,
<https://publications.parliament.uk/pa/cm201719/cmselect/cmproced/1482/148202.htm>,

² <https://commonslibrary.parliament.uk/research-briefings/sn01136/>
<https://commonslibrary.parliament.uk/business-rates-and-local-growth-wheres-the-link/>

³ <https://www.gov.uk/government/groups/financial-reporting-advisory-board-frab#membership>

⁴ <https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/>

way in which that information needs to be sifted, interpreted and explained before elected representatives can use it. The Scrutiny Unit's importance within the parliamentary scrutiny of financial information suggests that both these questions require further examination in the academic literature.

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