



House of Commons

Members Estimate Committee

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# **Revised Green Book and audit of Members' allowances**

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**First Report of Session 2008–09**





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Members Estimate Committee

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**First Report of Session 2008–09**

*Report, together with formal minutes*

*Ordered by the House of Commons  
to be printed 12 January 2009*

## Members Estimate Committee

The Members Estimate Committee has the same Members as the House of Commons Commission:

Rt Hon Michael Martin MP, Speaker  
Rt Hon Harriet Harman MP, Leader of the House  
Rt Hon Theresa May MP, Shadow Leader of the House  
Sir Stuart Bell MP  
Nick Harvey MP  
Rt Hon David Maclean MP

The Committee is appointed under Standing Order No 152D (*House of Commons Members Estimate Committee*):

**152D.**—(1) There shall be a committee of this House, called the House of Commons Members Estimate Committee.

(2) The members of the committee shall be those Members who are at any time members of the House of Commons Commission pursuant to section 1 of the House of Commons (Administration) Act 1978; the Speaker shall be chairman of committee; and three shall be the quorum of the committee.

(3) The functions of the committee shall be—

- (a) to codify and keep under review the provisions of the resolutions of this House relating to expenditure charged to the Estimate for House of Commons: Members;
- (b) to modify those provisions from time to time as the committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- (c) to provide advice, when requested by the Speaker, on the application of those provisions in individual cases;
- (d) to carry out the responsibilities conferred on the Speaker by the resolution of the House of 5th July 2001 relating to Members' Allowances, Insurance, &c., except the responsibility of appointing the Advisory Panel provided for in paragraph (5)(1) of that Resolution.

(4) Paragraph (3)(b) above does not empower the committee—

- (a) to create a new form of charge on the Estimate for House of Commons: Members; or
- (b) to increase any rate of charge or payment determined by resolution of this House.

(5) The committee shall report to the House from time to time, and in any case not less than once a year, the provisions of the resolutions of this House relating to expenditure charged to the Estimate for House of Commons: Members, as codified and modified pursuant to paragraph (3) of this order.

(6) The committee shall have power to sit notwithstanding any adjournment of the House.

### Committee staff

The staff of the Committee are Dorian Gerhold, Jenny McCullough and Louise Sargent.

# Contents

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<b>Report</b>	<i>Page</i>
<b>Revised Green Book and audit of Members' allowances</b>	<b>3</b>
Introduction	3
Revised Green Book	3
Audit proposals and resolution of disputes	3
<b>Annex 1: Revised Green Book</b>	<b>5</b>
<b>Annex 2: List of consequential amendments required to existing Resolutions governing allowances</b>	<b>35</b>
<b>Annex 3: Report by the Members Estimate Audit Committee on audit and assurance of Members' allowances</b>	<b>37</b>
<b>Formal Minutes</b>	<b>57</b>



# Revised Green Book and audit of Members' allowances

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## Introduction

1. On 3 July the House debated our report on Members' allowances,<sup>1</sup> which was based on an extensive and detailed review of the allowances. The House agreed with some of our proposals and not others. On 16 July the House tasked the Advisory Panel on Members' Allowances (APMA) with preparing a new version of the Green Book, which sets out the rules on allowances for Members.

## Revised Green Book

2. APMA has now completed its work, and we are grateful for the draft it provided. Like APMA itself, we would particularly like to thank its two independent advisers, Keith Bradford nominated by the CBI and Kay Carberry nominated by the TUC, for their contribution. We have made some changes to the draft, mainly on how disputes are to be resolved. We have also responded to a recent report of the Standards and Privileges Committee by including a section on stationery.<sup>2</sup> We are publishing the amended document as Annex 1 to this report. **We commend the revised Green Book to the House.**

3. The revised Green Book is intended to come into effect on 1 April 2009. There are some discrepancies between the revised Green Book and the existing resolutions of the House. These are listed in Annex 2. If the House approves the revised Green Book, the resolutions will need to be made consistent with it.

## Audit proposals and resolution of disputes

4. On 20 October we asked the Members Estimate Audit Committee (MEAC) to make proposals on the future role of the National Audit Office and the House's internal audit staff in providing audit and assurance of spending on Members' allowances and to report to us. They have now done so, and we thank them for their prompt and thorough examination of these matters. We are publishing their report unamended as Annex 3 to this report. **We endorse MEAC's recommendations on assurance and audit, and commend them to the House.**

5. Two further issues arise. MEAC has made proposals in its report for resolving disputes over compliance with the rules and reporting serious failures in compliance, which we have endorsed above. But a mechanism for resolving disagreements about what expenditure is allowable under the rules and setting precedents for future claims is also needed. We decided it was important to separate the function of advising on what the rules should be, which APMA performs, and that of determining how the rules should be interpreted in particular cases. We concluded that the latter task should be given to the Finance and Services Committee. Decisions on what is an acceptable claim would be dealt with in the

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1 Third Report, 2007–08, *Review of Allowances*, HC 578.

2 Nineteenth Report, 2007–08, *Use of pre-paid envelopes and official stationery*, HC 1211, para 14.

first instance by officials, and we hope that most disagreements would be resolved at this stage. If that is not possible, the matter could be taken by the Member concerned to the Finance and Services Committee and ultimately on appeal to the Members Estimate Committee. **We recommend that, for disputes over what is an acceptable claim which cannot be resolved between officials and the Member concerned, the Member should be able to ask the Finance and Services Committee to rule, and should have the option of appealing to the Members Estimate Committee.** This recommendation and our next would require changes to the House's standing orders.

6. The revised Green Book is an improvement on its predecessors, but it does not offer sufficient precision and detail to provide the basis for a full-scope audit. It will need to be supplemented by practice notes which give Members and the Department of Resources a clear basis on which to operate the allowances system. A procedure for approving these practice notes will be required. **We recommend that the practice notes on Members' allowances, and any subsequent changes to them, should be submitted to the Finance and Services Committee for approval.**

# Annex 1: Revised Green Book

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	<i>Page</i>
<b>PART I: Principles governing Members' allowances</b>	<b>6</b>
<b>PART II: The allowances</b>	<b>8</b>
1. Personal Additional Accommodation Expenditure	8
2. Administrative and Office Expenditure	12
3. Staffing Expenditure	15
4. Travel Expenditure	20
5. Communications Expenditure	24
6. Stationery and Postage	27
7. Resettlement Grant	29
8. Winding-up Expenditure	30
9. Security Budget	30
10. Help for Members with disabilities	30
<b>PART III: Other information</b>	<b>30</b>
1. Transfer of allowances	30
2. Other allowance issues	31
3. Taxation of allowances	31
4. Further information and contact details	32
<b>PART IV: Definitions</b>	<b>32</b>

## **PART I PRINCIPLES GOVERNING MEMBERS' ALLOWANCES**

Members of Parliament are provided with financial support in the form of allowances to enable them to work effectively in Parliament and in their constituencies.

Parliamentary allowances are designed to ensure that Members are reimbursed for costs properly incurred in the performance of their duties. They provide support for:

- employing staff (Staffing Expenditure)
- provision of facilities, equipment and supplies for themselves and their staff (Administrative and Office Expenditure)
- overnight stays away from home whilst on parliamentary duties (Personal Additional Accommodation Expenditure)
- communicating with constituents (Communications Expenditure)
- House stationery and postage (Stationery and Postage)
- travel—between Westminster, the constituency and main home (Travel Expenditure)

As a general principle, major changes impacting upon any issue which might require Members to enter into any long-term arrangements or materially affecting the guidance or rulings contained in this document, should be designed to last for the lifetime of a Parliament and not changed midterm.

### **GOVERNANCE OF THE ALLOWANCES**

A series of resolutions approved by the House over many years set out the purpose of each allowance and contain criteria for judging the appropriateness of a claim. The Members Estimate Committee, having been advised by the Advisory Panel on Members' Allowances, has the power to modify the provisions of the resolutions in the interests of clarity, consistency, accountability and effective administration and conformity with current circumstances. However, the Committee may not create a new charge or increase any rate of charge or payment. The Advisory Panel on Members' Allowances has the continuing duty of keeping the Green Book under review.

Members who are contemplating incurring an expense which is large or unusual, or who are uncertain about any allowance, should contact the Department beforehand for advice. Not all circumstances are covered in the Green Book, and the Department may be able to assist Members whose circumstances are unusual.

The Members Estimate Committee has confirmed the Department's authority to administer the rules set out in the Green Book. The Department is expected to bring to the attention of individual Members instances where they may appear to be vulnerable to criticism or accusations of impropriety. Where any claim appears not to conform to these principles, or to more detailed rules which apply to particular allowances, Department staff will contact the Member to discuss the claim. If the issue is not resolved, the Member may

ask the Finance and Services Committee to rule. If the Member wishes, he or she may ask the Members Estimate Committee to make a final determination on the ruling made by the Finance and Services Committee.

The Finance and Services Committee will agree Practice Notes which will be used by the Department in administering the rules. These may be on general matters, or on matters arising from particular cases. Practice Notes will be published.

Serious cases of breaches of the rules, or of problems in implementing them, may be referred by the Department to the Members Estimate Committee.

## FUNDAMENTAL PRINCIPLES

In July 1995, the House agreed to adopt the *Code of Conduct for Members of Parliament* [[link](#)] which includes a number of general principles of personal conduct. These are based on concepts of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The broad principles set out below are derived from the Code of Conduct and underpin the allowance regime. When making claims against parliamentary allowances, Members must adhere to these principles.

The principles are:

- Claims should be above reproach and must reflect actual usage of the resources being claimed.
- Claims must only be made for expenditure that it was necessary for a Member to incur to ensure that he or she could properly perform his or her parliamentary duties.
- Allowances are reimbursed only for the purpose of a Member carrying out his or her parliamentary duties. Claims cannot relate to party political activity of any sort, nor must any claim provide a benefit to a party political organisation.
- It is not permissible for a Member to claim under any parliamentary allowance for anything that the Member is claiming from any other source.
- Members must ensure that claims do not give rise to, or give the appearance of giving rise to, an improper personal financial benefit to themselves or anyone else.
- Members are committed to openness about what expenditure has been incurred and for what purposes.
- Individual Members take personal responsibility for all expenses incurred, for making claims and for keeping records, even if the administration of claims is delegated by them to others.
- The requirement of ensuring value for money is central in claiming for accommodation, goods or services—Members should avoid purchases which could be seen as extravagant or luxurious.
- Claims must be supported by documentary evidence, except where the House has agreed that such evidence is not necessary.

These principles recognise that, in the nature of our democratic system, Members will wish to explain their views about policies. However, public money must not be used to give unfair political advantage to one political party, and for this reason there are specific controls on particular allowances.

## APPLYING THE PRINCIPLES

In the majority of cases, the application of these principles will be straightforward. But the role of Members is constantly evolving and different Members have different needs, priorities and ways of performing their duties. Therefore there will always be areas of uncertainty and the need to exercise individual judgement.

The following questions are designed to assist Members in coming to a decision about whether or not costs incurred are appropriate to be met from the allowances:

- Is this expense genuinely incurred by me in my role as a *Member of Parliament* as opposed to my personal capacity?
- Is this purchase supporting me in carrying out my *parliamentary* duties? Defining parliamentary duties is difficult but Members may wish to consider (i) the generally accepted parliamentary functions: the legislative role; the oversight and accountability role; and the representative role, including dealing with constituents' problems and (ii) obligations they may have, for example as a small employer. Anything which is done for personal benefit or for electioneering or for the direct support of a political party will not be part of a Member's parliamentary duties.
- Does the claim match the *purpose* of the allowance in question as set out later in the Green Book?
- Could the claim in any way damage the reputation of Parliament or its Members?
- How comfortable do I feel with the knowledge that my claim will be available to the public under Freedom of Information?

## PART II THE ALLOWANCES

### 1. PERSONAL ADDITIONAL ACCOMMODATION EXPENDITURE (PAAE)

#### PURPOSE OF THE ALLOWANCE

The PAAE is available to reimburse Members for the additional expenses necessarily incurred in staying overnight away from their main home for the purpose of performing their parliamentary duties. It may only be used to meet the following costs:

- Rent or mortgage interest
- Hotel expenses
- Utilities and telecommunication charges

- Furnishings
- Maintenance, service agreements, cleaning and insurance
- Subsistence.

## ELIGIBILITY

PAAE can be claimed if the principles set out in Part I have been complied with, and

- If your main home is in the constituency, for overnight stays in London.
- If your main home is in London, for overnight stays in the constituency.
- If your main home is neither in London nor the constituency, you can choose in respect of which of these areas to claim PAAE.

For these purposes, “constituency” is regarded as any point within 20 miles of the constituency boundary.

PAAE may also be claimed if a Member performs parliamentary duties in an area of his or her constituency where a stay overnight is reasonably necessary in view of the distance from his or her main home.

Members representing inner London constituencies are not eligible to claim this allowance. Instead, there is an automatic London Costs Allowance (LCA) that is paid with salary.

Members representing constituencies outside inner London can choose between receiving the LCA and the PAAE. A choice may be altered no more than once a year.

## EXAMPLES OF APPROPRIATE EXPENDITURE

The following provides examples of expenditure which are appropriate under various categories mentioned above.

*Whilst these examples are not exhaustive, they are designed to indicate the types of costs that are appropriate and so guide Members for other expenditure they wish to incur which is not on this list.*

### **Rent or mortgage interest**

In respect of one additional home in either London or the constituency:

Either

- Rent
- The cost of a deposit (although this must be repaid when the deposit, or a proportion thereof, is returned)

Or

- Mortgage interest

- Increase to mortgage costs (interest only) to pay for refurbishments; to extend the lease; or to purchase the freehold

And

- Legal and other costs associated with obtaining (and selling) (for example, stamp duty, removal expenses, valuation fees)

#### **Hotel expenses**

- Cost of overnight accommodation

#### **Utilities and telecommunications charges**

- Electricity, gas
- Water service charges
- Council tax
- Telephone, television and communications charges (mobile phone charges should be claimed from AOE)

#### **Furnishings**

- White goods (for example, refrigerator, washing machine or cooker)
- Electrical equipment
- General household furniture (for example, sofa, chairs, table or bed)
- General household items (for example, cutlery or crockery)

#### **Maintenance, service agreements, cleaning and insurance**

- Necessary repairs to make good dilapidations
- Decoration
- Cleaning (services or equipment)
- Service charge/ground rent
- Insurance services and maintenance contracts
- Basic security measures

#### **Subsistence**

- A flat-rate sum of £25 may be claimed for any night which a Member spends away from his or her main home on parliamentary business. No other payment in respect of subsistence may be claimed.

## ISSUES NEEDING PARTICULAR ATTENTION

### **Furnishings**

The total costs claimed in respect of furnishings in any allowance year (except the first year after a Member is newly elected) are limited to 10 per cent of the PAAE for that year.

### **Mortgage and rental arrangements**

PAAE must not be used to meet the costs of renting a property from yourself; a partner, or family member (including a spouse or civil partner); a close business associate; or an organisation or company in which you or a family member have an interest (other than as an ordinary investor).

PAAE must only be used for mortgages taken out with a company subject to regulation by the Financial Services Authority.

Members are not prevented from taking out a joint mortgage but only joint mortgages with a Member's spouse/civil partner/partner will be fully covered by PAAE. In all other circumstances Members must contact the Department.

Members are also strongly encouraged to keep mortgage arrangements as straightforward as possible. Complicated financial products, which may make it difficult for the Department to advise Members as to their validity, should be avoided.

### **Re-mortgaging**

The Department must be consulted in advance before any change of mortgage provider or to the terms of a loan.

### **Property used as an office**

The Department must be informed if PAAE is being claimed on a property and you wish to claim against AOE for any of the costs associated with an office on those premises (for example, heating, lighting, decoration, furniture). You must ensure that you do not claim twice for any element of these costs.

## DOCUMENTATION REQUIRED

Members are required to provide the Department with the address of their main home when they enter Parliament by completing form PAAE1. Members must inform the Department if the address of their main home changes. This information is essential to ensure the proper assessment of a Member's PAAE and travel entitlements. Save in exceptional circumstances (on which the Finance and Services Committee will adjudicate), Members may only change the respective designations of main home and additional home once in any allowance year.

If you have a mortgage, a copy of your annual statement of interest must be provided each year to the Department. If it is not clear from this documentation what the amount of interest payable is on the property, further evidence may be required. You must also inform the Department of any alterations to the terms of your mortgage.

If you rent a property, a copy of the lease agreement must be provided to the Department. Relevant documentation must be submitted when any of the terms and conditions are revised (for example, a change in rent charges).

Evidence in the form of invoices or receipts must be provided for all items of expenditure of £25 or more. No receipt is necessary in respect of the flat-rate payment for subsistence.

If a copy of annual agreements (for example, council tax statement, service charge) is deposited with the Department, you will not need to submit invoices when claiming for relevant costs.

## HOW PAAE WORKS IN PRACTICE

PAAE is a reimbursement allowance. The Department cannot pay any bill directly. You must pay bills yourself and claim relevant sums back using a PAAE2 form.

## 2. ADMINISTRATIVE AND OFFICE EXPENDITURE (AOE)

### PURPOSE OF THE ALLOWANCE

The AOE is an allowance designed to provide for facilities, equipment, supplies and services for Members and their staff. It may only be used to meet the following costs:

- Accommodation for office or surgery use or for occasional meetings
- Equipment and supplies for the office or surgery
- Work commissioned and bought-in services
- Certain travel costs not met out of travel expenditure

### ELIGIBILITY

All Members can claim for this allowance when their claim complies with the principles set out in Part I.

### EXAMPLES OF APPROPRIATE EXPENDITURE

The following provides examples of expenditure which are appropriate under the various categories shown under “purpose” above.

*Whilst these are not exhaustive, they are designed to indicate the types of costs that are appropriate and so guide Members for other expenditure they wish to incur which is not on the list.*

#### **Accommodation**

- Office rent
- Hiring facilities for surgeries or meetings
- Payments to utilities: rates, water, gas, electricity

- Repairs and alterations if required when first occupying a property or by your lease, provided that these do not go beyond making good dilapidations and thus enhance the value of the property
- Measures to ensure office security, better health and safety or accessibility for the disabled
- Additional costs of using part of your home as an office—provided this is set aside as an office. If you claim PAAE for this home you must take particular care to ensure that you do not claim twice for the same expenses
- Insurance for office premises

### **Equipment and supplies**

- Purchase or lease of photocopiers, faxes, scanners, phones and other office equipment, including computers and printers
- Purchase of office furniture
- Purchase of stationery and office consumables
- Purchase of hardware and software
- Insurance for office contents other than centrally provided computers and legal costs insurance
- Telephone costs
- Postage over and above that provided by the House
- Annual data protection registration subscription

### **Work commissioned and bought-in services**

- Maintenance services for hardware, software and equipment
- Interpreting and translation services
- Training for Members or staff
- Recruitment services
- Work that you would reasonably expect a member of your staff to undertake, for example, a piece of research

### **Certain travel costs not met out of the travel expenditure**

Certain travel incurred over and above that provided from your travel expenditure: this may be related to staff travel or taxis and private hire cars for permitted UK travel. Receipts and journey details must be provided in full.

## ISSUES NEEDING PARTICULAR ATTENTION

### **Arrangements for Members' constituency offices**

If the accommodation is leased from a political party or a constituency association, you must ask an independent valuer to assess the property in order to ensure that it is being rented at no more than the market rate. See also the following heading on agreements for accommodation and services in combination.

You must seek advice from the Registrar of Members' Interests if the premises are provided rent free or at a rental below market rates.

### **Contracts for staff, services etc in combination with accommodation**

You must have documented contractual arrangements which distinguish between accommodation and services (eg: staffing, telephony, use of photocopiers etc). Charges must be for actual, not notional, services, and the service charges must accurately reflect the levels of service provided. You must lodge a copy of the agreement with the Department and ensure that any subsequent changes are notified in writing immediately to the Department.

### **Sharing arrangements**

When a Member shares his or her office with another Member or with a member of a devolved legislature or of the European Parliament, separate billing arrangements are desirable. But where that is not feasible he or she must lodge with the Department a copy of the agreement setting out how the costs will be divided. If one Member agrees to meet the costs in full initially, and to recover from the other parties to the arrangements, he or she must lodge with the Department the agreement to do this. The sums recovered must be remitted to the Department for credit to the AOE.

### **Sublets**

You must not sublet accommodation which you lease and pay for out of the allowances. Exceptions may be allowed for sublets existing in January 2002 when this restriction was introduced.

### **Homes used as offices**

You may use as an office for your parliamentary duties any part of your home, or of any other building which you personally lease or own. You may claim for any **additional** costs incurred (eg: extra telephone lines, heat, light) but not leasing or mortgage costs.

### **Occasional use of office premises by others**

You must charge for occasional use of your premises by others. This must not exceed 20 days per year. The charge must be set at a level which reflects a proportion of the leasing costs and the cost of any services used. You must ensure that full and proper accounts are kept of all relevant transactions. All income received must be credited back to your AOE.

**Petty cash**

Members may be re-imbursed for petty cash, the limit being £50 per month. Any claims for items costing £25 or more will need to be accompanied by relevant receipts. You must keep a petty cash book recording what items petty cash is spent on.

**DOCUMENTATION REQUIRED**

Proof of payment must be provided for all items of expenditure of £25 or more.

In addition, the following documentation must be lodged with the Department:

- A copy of your lease and any sublease
- A copy of a recent independent valuation (required only if you lease from a political organisation or if you sublet part of the premises). This must be updated if and when rental costs differ from figures shown in independent valuations.
- A copy of any agreement for cost sharing (required only if you share with another Member, with a member of a devolved legislature or an MEP)
- A copy of any agreement for services with your constituency association or other party political organisation.

You must also inform the Department of any alterations to the terms of these.

**HOW THE AOE WORKS IN PRACTICE**

There are three payment options available from the Department:

- You can meet the bill yourself and claim the sum back. Use a Members' Reimbursement form (C1). (You can also use a Direct Payment to Staff form (SA3) to reimburse a member of staff who has purchased supplies for you.)
- The Department can pay the supplier direct. Use a Direct Payment to Third Parties form (C2) and attach a copy of the invoice.
- You can set up a regular payment arrangement. Use a Periodic Payments form (B1), and attach a copy of your contract with the supplier.

**3. STAFFING EXPENDITURE****PURPOSE OF THE ALLOWANCE**

Staffing Expenditure is available to meet the costs incurred in the provision of staff to help you perform your parliamentary duties. It may be used to meet the following costs:

- Staff salaries and employer's National Insurance Contributions
- Bonuses and overtime payments
- Payments for bought-in services

- Additional staff costs
- Redundancy payments
- Settlements made at tribunals and court hearings

## ELIGIBILITY

All Members are eligible for this allowance when their claim complies with the principles set out in Part I. Members must ensure their staff are:

- employed to meet a genuine need in supporting the Member in performing his or her parliamentary duties;
- able and (if necessary) qualified to do the job; and
- actually doing the job

and that the resulting costs, in so far as they are charged to this allowance, are reasonable and entirely attributable to the Member's parliamentary duties.

## EXAMPLES OF APPROPRIATE EXPENDITURE

The following provides examples of expenditure which are appropriate under certain of the categories mentioned above.

*Whilst these examples are not exhaustive, they are designed to indicate the types of costs that are appropriate and so guide Members for other expenditure they wish to incur which is not on the list.*

### **Staff payments**

- Salaries and other payments to staff, all of which are paid directly to the member of staff by the Department.

### **Payments for bought-in services**

- Professional advice, for example from accountants or solicitors
- Cleaning, janitorial or reception services
- Maintenance services for hardware and software and equipment
- Interpreting and translation services
- Recruitment services
- Training for Members and their staff
- Research and consultancy services
- Secretarial services

### **Additional staffing costs**

- Meals and subsistence for interns, volunteers or permanent employees who are working away from their main place of employment
- Travel to and from a permanent or temporary workplace
- Additional pension contributions
- Contributions to private healthcare scheme

## **ISSUES NEEDING PARTICULAR ATTENTION**

### **Rates of pay and contracts**

Staff must be paid in accordance with the pay ranges linked to the job descriptions and standard contracts prepared by the Department and approved by the Advisory Panel on Members' Allowances. These are available on the parliamentary Intranet [*link*].

The Department provides standard employment contracts which you must use when taking on new staff. However, you, not the Department, have the responsibilities as employer towards staff paid from the allowance. It is your responsibility to ensure that you comply with employment law. The contract must be provided to your staff within eight weeks of them starting work, and a copy must be deposited with the Department (see below).

Exceptions for both contract terms and pay ranges may be made for staff who were employed before 5 July 2001 and therefore have pre-existing employment rights; self-employed contractors (who are recognised as such by HMRC); and certain staff approved by the Department who are employed on non-standard jobs.

### **Advice**

A Personnel Advice Service is available to Members and is staffed by professional HR practitioners. They are able to provide advice on issues that concern your role as employer. [*link*].

### **Bonus payments**

To help you get the job done, you may wish to give incentives to staff or to reward them by giving them one-off bonuses. Such payments are limited to 15 per cent of the gross annual salary received by that member of staff in the allowance year in question.

### **Record keeping**

As part of our payroll service, the Department keeps records of payments made. However, you are responsible for all other procedures connected with staff employment, for example contractual changes (of which the Department must also be informed), holidays taken and sickness absence.

### **Absence from office**

If a member of staff is absent because of sickness, you must inform the Department in order that pay can be adjusted. This will also assist Members in managing long-term sick absences. Any relevant certificates must also be forwarded.

If the absence is for more than two weeks (and is caused by sickness, adoption leave, maternity leave or disability within the meaning of the Disability Discrimination Act 1995), you may be able to claim “temporary staffing expenditure” to meet the cost of a substitute member of staff or contactor, or of additional hours for existing staff. Documentary evidence of the reason for absence is required.

Further details are available on the parliamentary Intranet [*link*].

### **Pension contributions**

If a member of staff is paid from Staffing Expenditure, the Department will make regular payments from central funds, equivalent to 10 per cent of salary, to the Portcullis Pension Plan. This is a group stakeholder arrangement.

The 10 per cent can be paid to one of two nominated providers or split between them, either as the member of staff chooses, or 50:50 as a default arrangement.

A Portcullis Pension Plan leaflet is available on the parliamentary intranet [*link*] or in hard copy from the Department. This gives detailed information and advice to both staff and Members.

### **Tribunals and court hearings**

Staffing expenditure can be used to pay for settlements made both prior to and during court and tribunal hearings concerning a member of staff. But the allowances will not meet the costs of any punitive damages awarded against a Member by a court or tribunal.

Members are advised to contact the Department as soon as they think litigation may be commenced against them for advice about the assistance that the Department can provide.

### **All-Party Groups**

Staff may not be employed to work wholly or substantially for All-Party Groups.

## **DOCUMENTATION REQUIRED**

For payments to organisations for bought-in services, evidence in the form of invoices or receipts must be provided for all items of expenditure of £25 or more.

In addition, the following documentation must be lodged with the Department:

- A copy of a contract of employment for each member of staff paid from Staffing Expenditure
- A job description for each member of staff

It is not possible for salaries to be paid unless the contract and job description has been deposited.

You must also inform the Department of any alterations to the terms of either staff contracts or job descriptions.

## HOW STAFFING EXPENDITURE WORKS IN PRACTICE

### Budgets

You must ensure that funds are available to meet all commitments. If the allowance is exhausted, the Department will only continue to pay salaries if money is transferred from AOE or from your own parliamentary salary. Monthly statements will be sent to you, showing the current level of spend and the percentage of the allowance used.

Every staff member must be provided with a new starter pack which contains information for a new member of staff and a copy of a form SA1 for completion. This pack is available on request from the Department. The SA1 form enables you to provide relevant pay and personal details of the new starter. This must then be forwarded to the Department so that payroll action can be taken.

Members of staff are paid on the last working day of each month. Income Tax and National Insurance contributions are deducted from salary payments under PAYE regulations. P60s, containing statutory information relating to pay and deductions, are sent out annually to all staff still in employment at 5 April. For this reason, no payments should be made directly by you to a member of staff.

Staffing Expenditure is increased each year in line with the annual earnings index. However, staff pay is not up-rated automatically. This is a decision for you as employer each year.

You can advise the Department of a change of salary on form SA2; and bonus or overtime payments on form SA3.

When a member of staff leaves your employment, you must advise the Department using form SA4. This can also be used to notify the Department of any holiday not taken for which payment needs to be made.

All forms must be submitted to the Department by the 15th of each month in order for changes to be reflected in that month's payroll run. This is especially important for new starters who may, for financial reasons, be unable to wait a further month to receive their first salary payment and for leavers to avoid an overpayment of salary.

Payments for bought-in services can either be paid directly by the Department to the relevant organisation (using a C2 form) or paid by you and reimbursement sought (using a C1 form).

## 4. TRAVEL EXPENDITURE

### PURPOSE OF THE ALLOWANCE

Members can claim for reasonable travel and associated costs provided that journeys are undertaken for the purpose of performing their parliamentary duties. For the purposes of this allowance, travel with All-Party Groups does not constitute parliamentary duties.

In addition, staff, spouses and civil partners, and children up to the age of 18 are entitled to certain travel allowances.

The House will meet the cost of:

- Fares for journeys by public transport
- Mileage for cars, motorbikes and bicycles
- Reasonable parking
- Taxis and private hire car cost (for which a standard mileage rate applies)
- Reasonable cost of overnight accommodation where a journey has had to be broken due to unforeseen circumstances beyond the control of the person undertaking the journey.

### ELIGIBILITY

All Members are eligible for this allowance when their claim complies with the principles set out in Part I. Different rules apply to un-itemised mileage within constituencies depending on constituency size.

### HOUSE OF COMMONS TRAVEL CARD

A Visa Travel Card is available to all Members to pay for all allowable train, air, coach, ferry and parking costs for yourself, for your family and your staff. The card should not be used for any other purpose.

Members can also apply for a card for use by spouses and civil partners. Members remain responsible for its use and expenditure is limited to the costs listed above.

Misuse of the card will lead to a recovery being made from a Member's salary and/or withdrawal of the card.

### EXAMPLES OF APPROPRIATE EXPENDITURE

#### Routine travel

Routine travel is travel by the recognised direct route between Westminster, your constituency and your main home as well as travel within your constituency.

**Extended travel**

Extended travel allows Members to travel within the UK on journeys outside their routine travel pattern. The journeys must:

- Relate to a matter currently before the House
- Relate to a matter currently before a select committee on which you serve
- Relate to a constituent or general constituency matter; or
- Be to a devolved legislature.

**European travel**

Members may claim up to three return visits a year to the national parliament of Council of Europe member states. EU institutions and agencies may also be visited.

For each visit, Members may claim travel, up to the cost of a business class airfare to the relevant destination; and a maximum of two nights subsistence at the Civil Service Class A rate.

**Family travel**

Spouses and civil partners are entitled to up to 30 single journeys each year between London and the constituency or the Member's main home.

Dependent children (including stepchildren, foster children etc) who are under 18—or over 18 and still in full time secondary education until the end of the academic year in which their 18th birthday falls—are each entitled up to 30 single journeys each year between London and the constituency or Member's main home.

By arrangement with the Department, children over the age of 18 who have a disability are also entitled to 30 single journeys a year.

**Staff travel**

Staff may share up to 24 single journeys each year. These journeys must be between London and the constituency and be made in connection with the Member's parliamentary duties. Additional journeys may be claimed from AOE or Staffing Expenditure.

**Parking**

Reasonable parking charges may be claimed but Members cannot claim for parking fines.

**ISSUES NEEDING PARTICULAR ATTENTION****Mileage rate**

Journeys undertaken by car, motorbike or bicycle are reimbursed at a standard mileage rate which reflects the current HMRC approved rates. The mileage rate is paid on the basis that the person claiming owns and maintains the vehicle. When this is not the case, a

reduced mileage rate may be payable. You should contact the Department where this applies.

The mileage rate covers the costs of running a vehicle such as insurance, repairs, maintenance and depreciation. You are therefore not entitled to claim any additional cost in respect of the vehicle.

### **Constituency travel**

You must provide a full breakdown as follows:

- If your constituency is under 25 sq miles, for mileage above 200 miles
- If your constituency is over 25 sq miles but under 200 sq miles, for mileage above 350 miles
- If your constituency is over 200 sq miles, for mileage above 600 miles

Constituency travel includes:

- Travel within the constituency boundary
- Travel outside the constituency but within 20 miles of the constituency boundary
- Travel between the constituency and local or regional offices of Government departments and offices of local authorities<sup>1</sup>.

### **Congestion charges**

Congestion charges cannot be claimed from travel expenditure.

### **Taxis and hire cars**

Travel expenditure will only reimburse you at the standard mileage rate for allowable journeys undertaken in taxis and private hire cars. However, you may use AOE to reclaim the full cost.

### **Value for money**

There is no restriction on the class of travel for Members. However, you are encouraged to purchase tickets through the Parliamentary Travel Office so that the House can benefit from route deals. You are also encouraged to purchase the best value tickets, for example by advance purchase. Members are able to claim the cost of an advance purchase ticket which they buy but cannot in the event use.

Season tickets may be purchased for allowable journeys if Members are satisfied that value for money is being achieved.

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<sup>1</sup> Members may also use the extended travel provision for travel to offices outside their constituency.

## **Extended travel and European travel**

You must notify the Department at least three days before the journey, giving the purpose, location, duration and persons or organisation to be visited. The Department's authorisation for the journey is necessary.

## **Select Committee and Delegation travel**

Committee and delegation visits are not funded through the Travel Expenditure. You should contact the Committee Clerk or the Overseas Office for advice on how to claim for costs incurred for these visits. Your House of Commons Travel Card must not be used to pay for these journeys.

## **DOCUMENTATION REQUIRED**

A signed travel card acknowledgement: this confirms that you have received the card; and have acknowledged that the conditions of use have been explained to you, and that its use is restricted to paying for journeys specified in the Green Book.

A signed Car Assessment Form: this confirms that you are content with the routine journeys produced by the Department.

## **HOW TRAVEL EXPENDITURE WORKS IN PRACTICE**

When using your own vehicle, you will be reimbursed for mileage at standard rates. A reduced rate applies when this is not the case.

Mileage for each journey is calculated using a digitised mapping system.

When you are first elected, or when there is a change of location of your main home, the Department will register a set of routine journeys, each of which will have an agreed distance and journey code. Mileage can then be claimed using a T1 form, quoting the relevant code and frequency of that journey during the claim period.

The same form should also be used to claim family or staff mileage, tolls and parking charges and constituency mileage.

When travelling by public transport, you should use your House of Commons Travel Card to pay for your tickets. Alternatively, you can buy the ticket from your own funds and claim back the cost using form T2.

All transactions on your House of Commons Travelcard will be shown on a monthly statement. It is your responsibility to complete relevant information on the statement (for example, date and destination, who travelled etc) and return it to the Department within the time allowed. Further information is contained in the Travelcard folder.

## 5. COMMUNICATIONS EXPENDITURE

### PURPOSE OF THE ALLOWANCE

Communications Expenditure is designed to help Members communicate proactively with their constituents about their work in furtherance of their parliamentary duties.

The allowance may be used to meet expenses for:

- Regular reports and constituency newsletters; questionnaires, surveys and petitions
- Contact cards
- Distribution costs
- Advertising of surgeries and constituency meetings
- Websites
- Some capital purchases.

### ELIGIBILITY

All Members are eligible for this allowance when their claim complies with the principles set out in Part I and the more detailed guidance found in *Communications Expenditure and the use of House stationery*” booklet [[link](#)].

### EXAMPLES OF APPROPRIATE EXPENDITURE

The following provides examples of expenditure which are appropriate under the various categories shown under “purpose” above.

*Whilst these are not exhaustive, they are designed to indicate the types of costs that are appropriate and so guide Members for other expenditure they wish to incur which is not on the list.*

#### **Regular reports and constituency newsletters; questionnaires, surveys and petitions**

- Production and design costs
- Distribution costs
- Freepost facilities

#### **Contact cards**

- Production and design costs

#### **Advertising of surgeries and constituency meetings**

- Cost of placing advertisements

**Websites**

- Design of website
- Set up costs (domain name etc)
- Maintenance of website

**Capital purchases**

- Equipment and software used only in respect of anything published through Communications Expenditure.

**ISSUES NEEDING PARTICULAR ATTENTION****Prior approval**

There is a general requirement to get approval from the Department before committing to expenditure above £1000 for production and design costs.

**Closed period**

There is a closed period of 28 days before European Parliament, devolved legislature and local government elections (excluding by-elections and parish and community council elections). No proactive communications funded by Communications Expenditure may be issued during this period. Members will be expected to repay any money spent in contravention of this rule. They should also be aware that there could be implications with regard to electoral expenditure limits.

**Content**

The purpose of a publication or website must be to inform constituents about your work as a Member, to consult with constituents or local groups, or to provide information about how to contact you.

No party political material is permitted in any part of a publication or website funded wholly or in part from the allowance. You must not use party logos or slogans. You may use the House of Commons Portcullis provided the document meets the rules.

You must take care not to publish material which could be construed as campaign expenditure within the scope of the Political Parties, Elections and Referendums Act 2000.

You may only use Hansard extracts if the entire publication or website—including the extract—complies with the prohibition on party political content.

You must take care when using photographs not to promote other elected office-holders or candidates for office. Captions must be neutral and kept within the context of the publication.

You must take care when using or quoting statistics that the use of such statistics cannot be construed as politically selective.

Surveys may ask questions on national or international issues.

## Distribution

Members must use their best endeavours to ensure that distribution arrangements for newsletters do not stray unreasonably beyond the boundaries of their constituency.

## Joint publications

Members are entitled to produce newsletters in conjunction with other elected office-holders. However the entire content must satisfy the rules of all the bodies involved in funding it. If material is included that is not allowed, the whole cost of the publication must be funded from another source.

## Capital purchases

Only equipment and software purchased solely to assist Members in the production and distribution of newsletters, websites or other publications funded from Communications Expenditure may be claimed from the allowance. Equipment that is used for general office purposes should be claimed from AOE.

## Staffing costs

Where staff are employed, in whole or in part, to assist with the production of material funded through the allowance, salary and National Insurance costs will continue to be met from Staffing Expenditure. However, the cost of bought-in or self-employed staff may be met from Communications Expenditure.

## DOCUMENTATION REQUIRED

A copy of any agreement for cost sharing (when a publication is produced with another Member; a Member of a devolved legislature; or an MEP).

A copy of any agreement for services (for example for staffing or facilities) with your constituency association or other party political organisation.

## HOW COMMUNICATIONS EXPENDITURE WORKS IN PRACTICE

There are three payment options available from the Department:

- You can meet the bill yourself and claim the sum back. Use a Members' Reimbursement form (Comms1)
- The Department can pay the supplier direct. Use a Direct Payment to Third Parties form (Comms2) and attach a copy of the invoice
- You can set up a regular payment arrangement. Use a Periodic Payments form (B1), and attach a copy of your contract with the supplier

Claims for the costs of any survey or of production of any publication costing more than £1000 will only be met if the publication has been cleared **in advance** with the Department. If this approval is not given, you will not be able to claim for the costs of the publications. You are strongly encouraged to submit all items for which you are intending to claim from Communications Expenditure to the Department for approval in advance.

The Department will also review the homepage of websites that are being funded from Communications Expenditure. This may lead to further scrutiny when a claim for a relevant cost is submitted. Members are expected to make all recommended changes.

## 6. HOUSE STATIONERY AND POSTAGE

### PURPOSE OF FACILITY

A cash-limited provision of House stationery and pre-paid envelopes is made available to Members for their parliamentary duties.

### ELIGIBILITY

Each Member is entitled to a total sum each year which includes the cost of the various types of stationery and the postage costs of pre-paid envelopes.

### APPROPRIATE USE OF STATIONERY AND PRE-PAID ENVELOPES

More specific guidance can be found in the booklet *“The Communications Allowance and the use of House stationery”* [[link](#)].

#### Pre-paid envelopes

Pre-paid envelopes are designed to enable you to reply to letters or other contacts you receive, and to write to individuals and organisations in pursuit of your parliamentary duties. They should not be used to send mail to people on issues on which they have not previously contacted you. You can use stationery and pre-paid envelopes to respond to contacts you have received through any medium.

Pre-paid envelopes may not be used to transmit mail intended generally to inform your constituents about your work as a Member. Such communications may be funded through Communications Expenditure.

Examples of the proper use of pre-paid envelopes include:

- administrative correspondence enabling you to run your office, such as current working documents sent between Westminster and the constituency
- correspondence with Members or staff of either House, where this cannot be sent using the internal mail system
- correspondence with public bodies in the United Kingdom such as Government Departments, Agencies and NDPBs, devolved legislatures, local authorities, and international organisations, where this cannot be sent using the IDS
- correspondence with constituents in connection with an issue on which they have previously contacted you.

Pre-paid envelopes may only be used to send updates to constituents on an ongoing basis where the updates relate to specific cases (such as the progress on asylum applications). Pre-paid envelopes may not be used to send general updates.

Pre-paid envelopes must not be used:

- for correspondence of a personal or commercial nature
- for correspondence to or on behalf of All-Party Groups which include persons who are not Members of either House
- in connection with fund-raising for the benefit of a political party or supporting the return of any person to public office
- for internal mail
- for mail sent from the House of Commons to Government Department addresses within the M25 system (which should be fully addressed marked 'VIA IDS' and posted in an Internal Mail posting box without payment of postage)
- for questionnaires and surveys
- for birthday or greeting cards or messages
- for correspondence you instigate with constituents on issues on which they have not previously contacted you

Questionnaires and surveys; birthday or greeting cards or messages and other personal items; circulars; newsletters and calendars must not be attached to correspondence legitimately sent in pre-paid envelopes.

You are encouraged to use second-class pre-paid envelopes. First class envelopes should only be used for priority mail.

### **House stationery**

House stationery, however it is acquired, should not be used for the following purposes:

- communications of a commercial nature
- in connection with fund raising for the benefit of a political party, advocating membership of a political party, or supporting the returns of any person to public office
- for correspondence of All-Party Groups which include persons who are not Members of either House

If you wish to use House of Commons stationery to write to people on issues on which they have not previously contacted you, you must purchase it from the suppliers, not as part of your cash-limited entitlement. Alternatively, you may photocopy stationery which includes the crowned portcullis and the words "House of Commons". Any such use must also comply with the three requirements set out earlier in this section.

### **Petitions**

Someone who has signed a petition which has been addressed to you, who has sent you a campaign postcard or letter, or who has raised an issue with you in person, is considered to have contacted you for the purpose of these rules, unless the petition or campaign was itself

instigated by you or by someone acting on your behalf. Pre-paid envelopes and House stationery provided from a Member's cash limited entitlement should only be used to reply once to this kind of correspondence.

### **Personal correspondence**

Modest use of House of Commons stationery (but not pre-paid envelopes) for personal correspondence is permitted.

### **Party political content**

Party political references are allowed in officially provided stationery, or in correspondence sent in pre-paid envelopes.

## **INTERACTION WITH OTHER ALLOWANCES**

### **Communications Expenditure**

Where rules state that the stationery entitlement cannot be used (for example, circulars, newsletters, annual reports etc), relevant stationery and postage costs can be met from Communications Expenditure, with the proviso that the costs fall within the scope of that allowance and the principles set out in Part I of this document have been met.

### **Administrative and Office Expenditure**

Once the stationery entitlement has been exhausted, additional stationery supplies can be purchased using the AOE. However, the AOE cannot be used to purchase pre-paid envelopes. Instead, stamps (or other distribution methods) should be used.

## **HOW THE STATIONERY ENTITLEMENT WORKS IN PRACTICE**

The Department of Resources is responsible for providing advice on the use of stationery and Communications Expenditure. It will also provide advice for both allowances.

The ordering of stationery and pre-paid envelopes is the responsibility of the Department of Facilities. This can be done from the House of Commons stationery catalogue via the internet by ordering from your bespoke account at [www.banner-online.biz](http://www.banner-online.biz) or on a bespoke stationery order form.

## **7. RESETTLEMENT GRANT**

### **PURPOSE OF THE GRANT**

The Resettlement Grant may be claimed to assist former Members with the costs of adjusting to non-parliamentary life.

### **ELIGIBILITY**

The Resettlement Grant is available for all Members who fail to be re-elected or who do not stand at a General Election. Members who leave the House during a Parliament are not eligible to claim the grant.

Additional information can be found in the booklet “Pay and allowances for Members who leave the House at a General Election” [[link](#)]

## 8. WINDING-UP EXPENDITURE

### PURPOSE OF THE ALLOWANCE

The Winding-Up Expenditure allowance is designed to meet the cost of completing the outstanding parliamentary duties of a person who ceases to be a Member of Parliament.

### ELIGIBILITY

The allowance is available for all Members who fail to be re-elected or who do not stand at a General Election or who leave the House during a Parliament. The Department administers the allowance in the case of a Member who dies in service. A claim must comply with the principles set out in Part I.

Additional information can be found in the booklet “Pay and allowances for Members who leave the House at a General Election” [[link](#)] and in the information on what happens when a Member dies [[link](#)].

## 9. SECURITY BUDGET

Where the local police advise, the House will contribute to the costs of security measures taken to safeguard Members, their staff and their equipment at their constituency office or surgery. AOE must be used for the first £1000 of expenditure. The House will meet half of the rest of the cost up to a maximum contribution of £2000.

Full details of this facility, including how to apply, are available on the parliamentary intranet [[link](#)].

## 10. HELP FOR MEMBERS WITH DISABILITIES

The Department provides assistance to Members with disabilities, subject to a report from a consultant occupational health medical practitioner retained by the House. Assistance can take the form of additional staff, necessary equipment or help with travel for example.

Further information is available on the parliamentary intranet [[link](#)].

## PART III OTHER INFORMATION

### 1. Transfer of allowances

#### By allowance type

Subject to the limits shown below, Members may transfer funds between certain allowances. Prior approval from the Department is not required before authorising a transfer.

From	To			
	AOE <sup>2</sup>	Staffing	Communications	PAAE <sup>3</sup>
AOE	n/a	No limit	No limit	Not allowed
Staffing	Up to 10%*	n/a	Up to 10%*	Not allowed
Communications	Not allowed	Not allowed	n/a	Not allowed
PAAE	Not allowed	Not allowed	Not allowed	n/a

\*The combined amount transferred into the AOE and Communications Expenditure should not normally exceed 10 per cent of the total Staffing Expenditure.

### By allowance year

Members may also apply to transfer funds between allowance years. Subject to there being sufficient funds available, up to 10 per cent of each of the following allowances can be carried forward into the following allowance year: AOE; Staffing Expenditure; and Communications Expenditure. In certain cases, an advance can be made into the existing year from the following year's budget.

Members wanting to make use of this facility must notify the Department, providing details of specific spending plans.

### 2. Other allowance issues

The allowance year runs from 1 April to 31 March. Providing a spend was incurred during this period, claims may be made against it for a further two months (that is, until the end of May). Generally, claims submitted after this date will not be accepted for payment.

If a Member enters or leaves Parliament part way through the allowance year, the entitlement for each allowance will be calculated on a quarterly basis. For example, if a Member leaves in July (ie during the 2nd quarter), he/she would be entitled to a budget equal to two quarters of each allowance.

### 3. Taxation of allowances

Expenditure for which reimbursement is claimed under the provisions of the Green Book should be wholly, exclusively and necessarily incurred for the performance of a Member's parliamentary duties, and therefore deductible from income for tax purposes.

This does not apply to Winding-up Allowance on dissolution to which section 291 of the Income Tax (Earnings and Pensions) Act 2003 applies.

2 Administrative and Office Expenditure.

3 Personal Additional Accommodation Expenditure.

In the case of PAAE, which is an allowance to which section 292 of the Income Tax (Earnings and Pensions) Act 2003 applies, expenditure must be necessarily occurred in staying overnight away from the Member's main home.

HMRC produces a booklet on "MPs, Ministers and Tax" [[link](#)]. Different taxation rules apply to different allowances, and different rules may also apply to payments made under each allowance. Members are responsible for declaring any taxable benefit they receive.

#### 4. Further information and contact details

The current edition limits guidance to the allowances that Members are able to claim to assist them in performing their parliamentary duties.

- For all queries regarding parliamentary allowances, Members should contact the Enquiries and Advice Team (EAT).

The team can be contacted on 020 7219 1340 or via email: [enquiryandadvice@parliament.uk](mailto:enquiryandadvice@parliament.uk).

- For information on Members' Salaries, [[see link](#)].
- Members seeking advice on pensions are able to request "The Parliamentary Contributory Pension Fund—Members Booklet" from the Department of Resources. This is currently only available in hard copy.

The Pensions Team can be contacted on 020 7219 4962 or via email: [pensionsmp@parliament.uk](mailto:pensionsmp@parliament.uk).

- Information regarding Short Money and Representative Money can be found at [[link](#)].

Members with queries regarding the claiming of the above should contact 020 7219 6122.

- The Department publishes a booklet "Pay and allowances for Members who leave the House at a General Election". This provides details of dissolution arrangements and what happens to pay and allowances during this period. This publication is available in hard copy and on the parliamentary intranet.
- The Parliamentary Information and Communications Technology service (PICT) administers the loan of computer and other IT equipment to Members.

Details are available on the parliamentary intranet or via the PICT Service Desk on 020 7219 2001.

## PART IV DEFINITIONS APPLYING THROUGHOUT GREEN BOOK

"Additional home" means the home, not being the Member's main home, in respect of which a Member is entitled to claim PAAE. It must be in the UK.

"Advisory Panel on Members' Allowances" means the Panel appointed by the Speaker to give advice to him and the Members Estimate Committee on Members' allowances.

“Allowance year” means from 1 April until 31 March.

“Annual earnings index” means the annual earnings index (whole economy excluding bonuses), for the twelve months prior to 31 December.

“AOE” means the Administrative and Office Expenditure allowance.

“Civil partner” means a person who is the civil partner of a Member who together come within the definition of “civil partnership” in the Civil Partnership Act 2004.

“Department” means the Department of Resources.

“Devolved legislature” means the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly.

“Finance and Services Committee” means the Committee appointed under Standing Order No.144.

“HMRC” means Her Majesty’s Revenue and Customs.

“Inner London” means the constituencies of Battersea, Bethnal Green & Bow, Camberwell & Peckham, Cities of London & Westminster, Dulwich & West Norwood, Eltham, Greenwich & Woolwich, Hackney North & Stoke Newington, Hackney South & Shoreditch, Hammersmith & Fulham, Hampstead & Highgate, Holborn & St Pancras, Islington North, Islington South & Finsbury, Kensington & Chelsea, Lewisham Deptford, Lewisham East, Lewisham West, North Southwark & Bermondsey, Poplar & Canning Town, Putney, Regent’s Park & Kensington North, Streatham, Tooting, and Vauxhall.

“LCA” means the London Costs Allowance.

“London” means any place within 20 miles of the Palace of Westminster.

“Main home” is the term used in the Green Book for the term “only or main residence” as used in the applicable Resolutions of the House and the relevant legal provisions. It is for a Member to determine where his or her main home is based on his or her circumstances. It must be in the UK.

“Members Estimate Committee” means the Committee appointed under Standing Order No.152D to consider matters relating to Members’ pay and allowances. It has the same membership as the House of Commons Commission.

“Newly elected” means elected for the first time to the House of Commons or elected to the House after a period of not being a Member which was longer than the period during which Parliament was dissolved.

“PAAE” means the Personal Additional Accommodation Expenditure allowance.

“Parliamentary duties” means duties a Member may undertake properly to perform any of his or her functions as a Member of Parliament including work in connection with parliamentary proceedings or in a representational role. It includes obligations Members have, for example as small employers or data controllers. It does not include activities a Member carries out for party political purposes or for personal reasons.

“Partner” means one of a couple, whether of the same sex or of the opposite sex (the other being a Member) who although not married to each other or civil partners are living together and treat each other as spouses.

“Staff” means employees of a Member who are paid out of the Member’s Staffing Expenditure.

“Year” means “allowance year” except where the context is clearly otherwise.

## Annex 2: List of consequential amendments required to existing Resolutions governing allowances

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*Note: References to “Concordance” are to the Concordance of Resolutions, published as HC 950–II and ordered to be printed on 27 February 2006.*

### **General**

The principles are new.

The titles of all allowances change.

The new Green Book includes work with All-party Parliamentary Groups among parliamentary duties (though it specifically forbids Members from using Staffing Expenditure for persons employed wholly or substantially to work for All-party Parliamentary Groups or using Travel Expenditure for travel with All-party Groups).

Civil partners to be included in all references to spouses.

References to be standardised to “main home”, not “main residence” or “ordinary residence” etc.

References to “Department of Finance and Administration” to become “Department of Resources”; to “Inland Revenue” to become “HM Revenue and Customs”.

There should be a general provision that expenditure for which reimbursement is claimed under the provisions of the Green Book should be wholly, exclusively and necessarily incurred for the performance of a Member’s parliamentary duties (to clarify that it is deductible from income for tax purposes). This does not apply to Winding-up Allowance on dissolution or to PAAE to which are excluded from tax under sections 291 and 292 of the Income Tax (Earnings and Pensions) Act 2003.

### **PAAE/ACA**

Concordance para 3.1: London area to become any place within 20 miles of Westminster, not just Inner London.

New limit of 10% of PAAE for furnishings to be introduced.

New flat rate subsistence allowance of £25 per night away from main home on parliamentary business to be introduced.

Provision in 3 July 2008 Resolution that “any allowance for overnight costs arising from Parliamentary duties in London may not be used for accommodation expenses in respect of a residence designated by an hon Member as his main residence for tax purposes” not included in new Green Book.

### ***London supplement/London Costs Allowance***

Concordance para 4.1 (b) no longer to apply.

Concordance para 4.3 to be altered so that any Member can claim LCA instead of PAAE.

### ***IEP/AOE***

New Green Book provisions are more specific than the general provision of the Resolution set out in the Concordance.

### ***Staffing allowance/Staffing expenditure***

Concordance para 6.2—the new Green Book provides that the Advisory Panel on Members' Allowances are now to approve job descriptions and standard contracts.

Concordance para 6.4—"temporary secretarial or research assistance" to be renamed "temporary staffing expenditure" and to be available in a wider range of circumstances (eg maternity leave).

### ***Travel entitlements/Travel Expenditure***

Concordance paras 7.3—new Green Book makes no mention of higher and lower mileage rates.

Concordance para 7.4—new Green Book has no reference to scooters.

Concordance para 7.6—new Green Book refers to "reasonable" parking; the "wholly, necessarily and exclusively" reference is omitted.

Concordance para 7.8—new country limits are member states of the Council of Europe, and some of the detail is omitted.

Concordance para 7.10—the new Green Book amends 12 return journeys to become 24 single journeys.

Concordance para 7.11—the new Green Book amends 15 return journeys to become 30 single journeys.

Concordance para 7.14—the new Green Book includes provision for older disabled children.

Cost of overnight accommodation where a journey has had to be broken due to unforeseen circumstances to be claimable as Travel Expenditure.

### ***Communications Allowance***

The MEC report (HC 578–I) of June 2008 proposed a number of rules that the House agreed should come into force from 1 April 2009. The new Green Book does not include the words "data from local surveys must not be transferred to national campaigns or used for local party campaigning" because this would not be permissible under the Part I principles.

# Annex 3: Report by the Members Estimate Audit Committee on audit and assurance of Members' allowances

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<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>38</b>
<b>1 Introduction</b>	<b>41</b>
Our report	41
Background	41
Definitions	42
<b>2 External audit</b>	<b>44</b>
Expenditure not requiring receipts	45
Full scope audit	45
<b>3 Internal audit</b>	<b>47</b>
<b>4 Operational Assurance Unit</b>	<b>49</b>
<b>5 Reporting and compliance</b>	<b>51</b>
<b>6 Concluding remarks</b>	<b>52</b>
<b>Conclusions and recommendations</b>	<b>53</b>
<b>Annex: Relevant publications</b>	<b>56</b>

## Summary

This report presents the proposals of the Members Estimate Audit Committee on the audit and assurance of spending on Members' allowances, in response to the request of the Members Estimate Committee.

The Committee believes that earlier debate on Members' allowances indicated some lack of clarity about the role of audit and assurance. This report sets out the Committee's view on the system which should be adopted in order to give effective assurance to the Accounting Officer and the public that Members' allowances have been properly spent.

The system should include:

- external audit (to be carried out by the National Audit Office);
- internal audit (to be carried out by the House's Internal Audit unit advised by its strategic external partner);
- operational assurance (to be provided by a separate unit within the House's Department of Resources); and
- oversight by the Members Estimate Audit Committee.

The Committee considers that the Green Book—revisions to which were still to be agreed at the time it agreed its report—is crucial to the effective administration of Members' allowances and to the level of assurance that can be given that spending on allowances is for a proper parliamentary purpose.

The Committee suggests that the audit and assurance of Members' allowances should be proportionate and risk-based, bearing in mind that misuse, or allegations of misuse, present a high impact risk to the reputation of individual Members and of the House of Commons as an institution.

The report argues that the National Audit Office should be asked to undertake "full scope" audit of Members' allowances as they would for any other public body. It notes that a trial run full scope audit was carried out successfully and gave no serious grounds for concern about Members' use of their allowances.

The Committee recommend that the Department of Resources should create a small Operational Assurance Unit, to give advice and support to Members on the use of their allowances, to set and maintain standards and to ensure compliance with the rules. Internal Audit should give annual assurance on each of the allowances as well as examining the effectiveness of the overall governance and controls on the regularity and propriety of spending exercised by the Department of Resources.

The Committee sees the recommendations in this report as a package. Together they provide a proportionate system which would enable Members' allowances to be audited

and provide a suitable level of assurance regarding their use. Each element of the system plays a necessary part in providing this assurance and it would therefore be a mistake to approach our recommendations as “pick and mix” proposals.



# 1 Introduction

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## Our report

1. On 20 October 2008 the Members Estimate Committee (MEC) asked the Members Estimate Audit Committee (MEAC) to make proposals on the future role of the National Audit Office (NAO) as the external auditor of the House of Commons and the House of Commons' own Internal Audit service in providing audit and assurance of spending on the Members' allowances.

2. The MEAC was established in June 2004 as a sub-committee of the MEC to carry out a number of audit and assurance-related functions in connection with the Members Estimate, on behalf of the MEC. These functions included: general oversight of the work of internal audit and review; monitoring of the external auditor's independence, objectivity and effectiveness; advising the Accounting Officer in the exercise of his responsibilities; encouraging best financial practice, use of resources and governance in relation to the Members Estimate. The Committee consists of the Rt Hon Theresa May MP (Chairman) and Nick Harvey MP (both members of the MEC), Mr Clive Betts MP (member of the Finance and Services Committee) and three external members, currently Sir Thomas Legg KCB QC, Mr David Taylor FCA and Mr Alex Jablonowski.<sup>1</sup>

3. We considered the MEC's request at our meeting on 22 October 2008. We were advised that it would be helpful if the MEC were able to consider our proposals at the same time as the advice of the Advisory Panel on Members' Allowances (APMA) on revisions to the Green Book and any outcome from the Leader of the House's Paper on Audit and Assurance of MPs' Allowances (the Leader's Paper).<sup>2</sup> We decided that in order to make full proposals we should consider the role of the House of Commons Department of Resources in administering and providing assurance on allowances, in addition to the roles of the Internal Audit service and the National Audit Office.

4. We held informal discussions with the National Audit Office, the House of Commons Internal Audit unit, the Department of Resources and the Clerk of the House, Malcolm Jack, as Accounting Officer for the Members Estimate.

5. We set out our findings and recommendations in four sections; External Audit; Internal Audit; Operational Assurance Unit; and, reporting and compliance, before offering some concluding remarks.

## Background

6. Following the publication by the MEC of its *Review of Allowances*<sup>3</sup> in June 2008, the House debated the subject of Members' allowances on 3 and 16 July 2008. The debate on these occasions, so far as it related to audit and assurance of allowances, indicated some

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1 The same members compose the Administration Estimate Audit Committee which carries out similar functions for the Administration Estimate.

2 Office of the Leader of the House of Commons, Audit and Assurance of MPs' Allowances, August 2008, Cm 7460.

3 Members Estimate Committee, Third Report of Session 2007–08, Review of Allowances, HC578-I and HC578-II.

misunderstanding of the proposals in the MEC report. **The resolutions made by the House in relation to audit and assurance reflect some lack of clarity, and in our opinion do not alone constitute an effective way forward.**<sup>4</sup> The Leader's Paper acknowledged the need for further steps to be taken:

In order to put into effect the changes agreed on 3 and 16 July and to build on the determination of the House to protect public money from abuse and to justify public confidence in expenditure on MPs allowances, this paper sets out what has been agreed and poses questions on further steps the House can take to improve financial control and audit.<sup>5</sup>

7. For clarity we believe it will be helpful to offer some definitions of the terms used in this report:

### Definitions

**Assurance** is confirmation that assertions made are consistent with the evidence. It can be provided either by management or an independent third party.

An effective **assurance regime** includes:

- a) clear rules and guidance as to what is and what is not acceptable under the rules;
- b) robust management controls and processes designed to ensure compliance with the rules;
- c) testing of those controls (to ensure they are effective); and,
- d) reporting on the outcome of that testing to those wanting the assurance.

A **full scope audit** of a public sector body involves an auditor examining accounts with a view to satisfying themselves that in all material respects—

- a) the accounts present a true and fair view; and
- b) income and expenditure provided by Parliament has been expended for the purposes intended by Parliament and transactions conform to the authorities that govern them.

8. In producing our proposals we have started from first principles to recommend a comprehensive system of audit and assurance. In some instances our proposals differ from the approach which has so far been determined by the House, for example over the decision that 25% of Members should have their spending on the Additional Costs Allowance audited each year.

9. We have not produced precise costings of our recommendations although our preliminary discussions with the Department of Resources and auditors suggest that these would not be significant in comparison to the benefits to the House, including the benefits

<sup>4</sup> Official Report, 3 July 2008, col 1121; Official Report, 16 July 2008, col 315.

<sup>5</sup> Office of the Leader of the House of Commons, Audit and Assurance of MPs' Allowances, August 2008, Cm 7460, page 5, paragraph 1.

of our recommended system of audit and assurance. The use of internal House resources will have cost implications, as will the developments in IT systems that we would wish to see in ensuring a robust system of internal control for processing claims, but we believe that these will generate efficiencies and improved audit trails for the Department of Resources and auditors. Once our recommendations are approved, a detailed assessment of their costs and benefits will be needed.

10. In developing our proposals we were conscious of the work being undertaken concurrently by the Advisory Panel on Members' Allowances (APMA) to advise the MEC on revisions to the Green Book. **As the main source of guidance to Members on the purpose of each allowance and on the criteria for judging the appropriateness of any claim, the Green Book is crucial to the effective administration of spending on Members' allowances. It is also key to giving the Accounting Officer assurance that spending has been for a proper Parliamentary purpose.**

11. **We consider it likely that the APMA proposals for the revision of the Green Book will have implications for the audit and assurance system we are recommending.** We have worked to produce our proposals so that the MEC can consider them at the same time as the APMA proposals. **We have not been able to give the APMA proposals our full consideration because the process of their development has been concurrent with our own deliberations.** We are grateful to APMA for providing us with early sight of a draft of their proposed revisions to the Green Book, but note that this did not include any detailed proposals on the governance and escalation procedures in relation to allowances. We make our own recommendations on reporting and compliance in this report and would look at the broader implications of the proposed revisions to the Green Book for audit and assurance in more detail if requested to do so by the MEC.

12. We agree with the Leader's Paper<sup>6</sup> that the approach to audit and assurance of Members' allowances should be in proportion to the risk of misuse of those allowances. When an audit strategy is designed (by external or internal auditors) or systems to provide assurance about the use made of allowances are implemented (by the Department of Resources), these should take into account the differing risks of misuse of different allowances. They should also take account of both the level of public concern about allowances and the "high impact" risk that misuse, or allegations of misuse, pose to the reputation both of individual Members and of the House of Commons as an institution. This is what we mean when we say that **the audit and assurance of Members' allowances ought to be proportionate and "risk-based"**.

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6 Office of the Leader of the House of Commons, Audit and Assurance of MPs' Allowances, August 2008, Cm 7460, paragraph 38.

## 2 External audit

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13. Any system for the provision of Members' allowances has to be capable of being administered and audited. **We consider that it should be a principle of the audit system that Members' allowances should be subject to the same degree of external audit as other sectors of the public service, no less but also no more.**

14. In this connection there is an important difference between Members and other public sector staff, namely that Members are independent and not part of any organisational hierarchy. Expenses claims by employees would normally be counter-signed by a line manager or director, giving an element of control and assurance which is absent in the case of Members. In other respects however we consider that the principle mentioned above can be applied effectively to Members.

15. External audit of the Members Estimate is currently carried out by the NAO. The NAO provide the House with an audit opinion based on a set of financial statements explaining the use made of public funds, prepared against an agreed framework. We consider that independent audit by the NAO offers the benefit of consistency and comparability with the external audit of other public sector organisations, in particular central government. **We recommend that the House should continue to ask the NAO to act as its external auditor.**

16. We believe that the phrase "going behind the Members' signature" has led to some confusion. It is essential therefore to clarify our understanding of it. Historically, the extent of the audit the NAO undertake has been restricted by a "limitation of scope", meaning that the NAO does not "go behind the Member's signature". In the NAO's terms "going behind the Member's signature" would mean looking at adequate supporting evidence submitted by Members with their claims to be paid, rather than relying on the Member's signature as a guarantee of the validity of the transaction. A valid transaction would be a request for the reimbursement of allowable expenditure against the appropriate allowance. The level of evidence required to demonstrate a valid transaction is set out by the Green Book and associated Resolutions of the House, varies for each allowance, and is ultimately adjudicated by the Standards and Privileges Committee.

17. If the limitation of scope of the NAO audit was removed then the NAO would be able to carry out a "full scope audit" which would include assessment of the adequacy and appropriateness of the information submitted in support of Member's claims as paid by the House administration, as required by the Green Book and associated Resolutions of the House. This possibility was explored in the Leader's Paper:

The NAO already carry out an audit of [Members'] allowances, but... the scope of their engagement is limited. Now that the rules around allowances have changed, there is an opportunity to broaden the scope of their audit engagement. The NAO would extend their external audit to cover all four of the dimensions set out by the Comptroller and Auditor General and reflected above.<sup>[7]</sup> His checks would include,

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7 Paper by the Comptroller and Auditor General (NAO) published as Appendix 3 to Members Estimate Committee, Third Report of Session 2007–08, Review of Allowances, HC578–I.

as now, random sampling of transactions under each of the allowances. With a full audit trail of supporting evidence, however, he would, in future, be able to determine whether claims were not only for an apparently valid purpose, but were also supported by receipts and vouchers.<sup>8</sup>

### Expenditure not requiring receipts

18. When undertaking a full scope audit, auditors would look for “assurance”, that is substantive evidence that a transaction was accurate and valid. The furnishing of a receipt provides greater evidence of a transaction than just a simple claim signed by a Member. On 10 March the MEC reduced the threshold at which receipts were required to accompany claims for most expenses from £250 to £25, with effect from 1 April 2008. The Leader’s Paper said that the Comptroller and Auditor General believed that this “would give an opportunity to strengthen significantly the assurance that public money had been properly spent.”<sup>9</sup> In its *Review of Allowances* the MEC recommended “that, from the start of the 2009–10 financial year, the receipt threshold should be reduced from £25 to zero and that all claims, however small, will have to be backed by receipts.”<sup>10</sup>

19. We understand why the MEC suggested that receipts should be provided for all transactions. We consider however that this change would not add significantly to the assurance which could be gained in relation to spending on Members’ allowances. It has been argued that it would be excessively burdensome for Members to have to provide receipts for all transactions and that the additional costs incurred by the Department of Resources to process these would be likely to be disproportionate to the assurance gained. **We consider that a £25 limit for expenditure without receipt is a sensible way forward.**

### Full scope audit

20. At the request of the Accounting Officer, the NAO undertook a trial run of a full scope audit of Members’ allowances (as described in paragraphs 16 and 17) during August 2008. The NAO presented the results of their work in a report to the Accounting Officer and the MEAC in October 2008. The work covered claims on five allowances under the Members Estimate for April to July 2008, and was based on the substantive testing which the NAO would undertake on the accounts if asked to provide a full scope audit opinion.

21. The NAO’s trial run did not include the entire spectrum of work which would be undertaken on a full year full scope audit. For example, it did not include an advance risk assessment to allow the NAO to identify where to concentrate its work and how much work to undertake, in order to support the audit opinion. Nevertheless, **the NAO’s trial run provided a useful first impression of how a full scope audit would look in operation. And it did not give grounds for serious concern about Members’ use of their allowances.**

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8 Office of the Leader of the House of Commons, Audit and Assurance of MPs’ Allowances, August 2008, Cm 7460, paragraph 45.

9 Office of the Leader of the House of Commons, Audit and Assurance of MPs’ Allowances, August 2008, Cm 7460, Summary of proposals, paragraph 8.

10 Members Estimate Committee, Third Report of Session 2007–08, Review of Allowances, HC578–I and HC578–II, paragraph 48.

**22. We recommend that the Accounting Officer should remove the current limitation on the scope of the NAO's audit. This would enable the NAO to provide an audit opinion based on a full scope audit carried out on the same basis that applies to other public bodies.**

23. To allow this to happen, the Accounting Officer will need to agree an amended letter of understanding with the NAO, enabling an audit to be carried out in compliance with Auditing Standards as applied to others in receipt of public funds.

24. The "Statement on the System of Internal Control", included in the annual accounts for the Members Estimate and signed by the Accounting Officer, outlines the nature and scope of internal controls to ensure compliance with the rules governing allowances. The Statement currently contains the following formula expressing the limits of these controls:

The controls on expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement.

Following the implementation of any revised scheme of audit and assurance the Accounting Officer will need to consider the implications for his Statement on Internal Control of the assurance that he receives (that is the extent of independent confirmation that assertions made are consistent with the evidence) from the Department of Resources and from Internal Audit. One of our roles as the MEAC would be to advise the Accounting Officer on whether the level of assurance he had received was sufficient to consider removing the limitation on his statement.

### 3 Internal audit

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25. The House's Internal Audit service consists of an internal team of four auditors who work in collaboration with an external strategic partner, currently PwC. We consider internal audit to be a major facet of the control environment, that is the system for checking and testing the controls and processes designed to ensure compliance with the rules (set out in the Green Book and associated Resolutions of the House), and reporting on the outcome of those checks to those wanting assurance. An inadequate control environment could mean that the Accounting Officer would be unable to be satisfied about the sufficiency of assurance over the use of public funds reported in the accounts. This could hamper the means by which an external auditor could gain adequate assurance to support their audit opinion and to confirm the proper use of public funds. The House's Internal Audit service will have an important role to play in an effective audit and assurance system therefore.

26. Given high levels of public concern about the possibility of misuse of allowances and the significant reputational risk such misuse would pose, **the Internal Audit service should treat Members' allowances as a high priority for their work programme. Internal audit staff should have the same access to the evidence submitted by Members in support of claims as the NAO would have when conducting a full scope audit. Each year Internal Audit should, at a minimum, consider all allowances, as well as examining the overall governance and control environment operating within the Department of Resources, and the operation of the main controls over processing claims by the Department's management and staff.**

27. In approaching their work on the Members Estimate, Internal Audit should work with the NAO in accordance with the principle, already agreed between them, that the NAO should seek to place as much reliance as possible on the work of Internal Audit, when reaching a view on the adequacy of the control environment.

28. We recommend that the Internal Audit work programme should include substantive testing of expense claims, conducted in cooperation with the Department of Resources and the NAO, so as to give the Accounting Officer assurance on the regularity and propriety of expenditure. Substantive testing seeks to "substantiate" the transaction behind the claim, primarily through tests of detail such as verification of claims by vouching to receipts or third party confirmations. Substantive testing would include statistical analysis of data in order to identify anomalies. Good quality records will need to be held to underpin such testing and the Department of Resources may need to incur some costs to improve their IT systems for data capture and storage.

29. On 3 July the House acknowledged the need to strengthen audit of the Additional Costs Allowance when it agreed that "a rigorous internal system of audit of the Additional Costs Allowance be introduced covering 25% of Members each year and every Member each Parliament".<sup>11</sup> We are not convinced that specifying a percentage of Members to be audited each year is the best way forward. When approaching a risk-based audit, auditors would

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11 Official Report, 3 July 2008, col 1121.

normally assess the risk associated with each area of expenditure in order to determine an appropriate level of audit coverage. **Instead of auditing a specific percentage or number of Members, we recommend that Internal Audit employ an appropriate, risk-based sampling regime developed in accordance with their professional standards, in order to determine what percentage of Members to audit for each allowance.**

30. The involvement of the internal audit strategic partners, currently PwC, in the development of the detailed audit approach for Internal Audit may enhance public confidence through the provision of additional professional independence. However, we expect it would be more cost-effective for the work itself to be carried out by the in-house team than by the external partners, even if some additional resource is required to support the Internal Audit unit. **The internal audit strategic partners should be involved in developing the detailed audit strategy for Internal Audit, suggesting sampling and testing regimes and determining how to evaluate results.**

## 4 Operational Assurance Unit

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31. We consider it important for the strength of the control environment that, in addition to the assurance work of internal audit, internal checks are made as to whether allowances justifiably claimed have in fact been used for proper Parliamentary purposes, and have not “leaked” out into non-Parliamentary use. Checks would in most cases be prompted by a review of documentation supplied, evaluation of trends, or examination of the use to which allowances had been put, for example scrutiny of Members’ websites. This might lead to a discussion with the Member concerned. Such checks should increase the level of assurance that can be provided to auditors and the Accounting Officer about how management is ensuring proper use of public funds, and how internal controls are operating. We consider that the best way for such checks to be undertaken would be through the establishment of an Operational Assurance Unit. The Unit’s role would be to give advice to Members and to ensure compliance with rules and the maintenance of standards. It might also have a key role on day-to-day decision making on complex or novel expenses claims if the MEC decides to adopt a Green Book which is more principles-oriented than rules-based. It should be stressed that it would not be the role of this unit to tell Members how to do their job or how to manage their offices.

32. The Operational Assurance Unit could either form a part of the Department of Resources, or be located outside the Department of Resources but within the House, or be an external unit. The NAO would not normally undertake assurance work. We consider it unlikely that another external unit would constitute value for money in proportion to the risk. We conclude that a unit within the House is the answer and we think it would be best sited within the Department of Resources.

33. In creating the Operational Assurance Unit, the Department of Resources would need to build on the experience of the current Enquiry and Advice, and Quality and Assurance teams within the Department, but the objectives of the new unit and its approach should be developed afresh in the light of the new regime’s requirements. It is likely that there would be additional costs involved for the Department of establishing such a unit but we consider that the relatively modest costs involved would be worthwhile given the increased level of assurance which could be achieved.

34. The Leader’s Paper stated:

In order to achieve the desired outcome, rigorous enforcement of the rules is needed by the Department of Resources. Robust management controls and process are one of the main requirements for assurance. In order to carry out this role effectively, the way in which the Department of Resources carries out its work should be reviewed.<sup>12</sup>

We agree. However, in checking on MPs’ allowances the Operational Assurance Unit should act proportionately. For example, we would not expect it normally to investigate a claim to the extent of questioning the purpose of journeys made by a Member with an Edinburgh constituency between Westminster and Edinburgh. The principal reason for

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<sup>12</sup> Office of the Leader of the House of Commons, Audit and Assurance of MPs’ Allowances, August 2008, Cm 7460, paragraph 43.

travel would be assumed, unless otherwise shown, to be in connection with the Member's work as such, even if there were other residual benefits.

**35. We recommend that the Department of Resources should concentrate a small group of more senior and experienced staff in an Operational Assurance Unit, composed and managed separately from the section administering payments themselves. The unit's role would be to give advice to Members and to ensure compliance with rules and the maintenance of standards.**

## 5 Reporting and compliance

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36. Internal Audit currently report on the level of assurance which can be given in relation to spending on the Administration Estimate to the Administration Estimate Audit Committee. **We recommend that Internal Audit and the new Operational Assurance Unit should both have an obligation to report regularly to the Members Estimate Audit Committee their findings in relation to assurance of spending on Members' allowances. The external auditor should report to the MEAC at least annually. The MEAC's role should be to advise the Accounting Officer on the implications for his Statement on Internal Control of reports received from the external auditor and Internal Audit as well as assurance from the Department of Resources and the Operational Assurance Unit.**

37. Many instances of non-compliance with the rules on spending of Members' allowances are likely to arise from misunderstanding of the rules, miscalculation, mistaken duplication of claims or other inadvertences on the part of Members or their staff. Where an instance of apparent non-compliance is identified through any aspect of the audit and assurance system, the first response should be for the staff of the Department of Resources to discuss the issue with the Member concerned. This should enable genuine errors or differences of interpretation to be resolved without the need for escalation.

38. We consider it important to be clear what the process would be if any apparently serious instance of non-compliance with the rules on Members' allowances (as set out in the Green book and associated Resolutions) was identified through our recommended system of audit and assurance. **We recommend that serious instances of non-compliance identified by Internal Audit, external auditors or the Operational Assurance Unit should, where appropriate, be reported to the MEAC. Through the MEAC, the matter would be reported to the Members Estimate Committee and thereafter onwards to the Standards and Privileges Committee, if warranted by the circumstances.**

## 6 Concluding remarks

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39. We recognise that there may be a gap between the reality of what any system of audit and assurance can achieve and public expectation of what it should achieve. We also appreciate that there may be those who would argue for greater independence in the system. However we have adopted a proportionate approach and consider that our proposals strike an appropriate balance. **It is impossible to guarantee that any proportionate and risk-based system would identify all instances of the misuse of allowances. Even with a full scope audit, no external auditor would ever be able to give complete assurance, although the level of assurance they could give should be increased by the work of Internal Audit and an Operational Assurance Unit in creating a robust control environment.** The assurance which it is possible to gain from the rules set out in the revised Green Book will need to be reassessed once the revisions are agreed. Another way in which the public may be reassured is through the increased transparency created by the publication of information on Members' allowances under the Freedom of Information Act 2000. However, **if the House requires a higher level of assurance than our recommendations provide, then a more intrusive and expensive solution will be required.**

40. We see the recommendations in this report as a package. Together they provide a proportionate system which would enable Members' allowances to be audited and provide a suitable level of assurance regarding their use. Each element of the system plays a necessary part in providing this assurance and it would therefore be a mistake to approach our recommendations as "pick and mix" proposals.

41. We recommend that our package of recommendations should be implemented with effect from 1 April 2009.

## Conclusions and recommendations

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1. The resolutions made by the House in relation to audit and assurance reflect some lack of clarity, and in our opinion do not alone constitute an effective way forward (Paragraph 6)
2. As the main source of guidance to Members on the purpose of each allowance and on the criteria for judging the appropriateness of any claim, the Green Book is crucial to the effective administration of spending on Members' allowances. It is also key to giving the Accounting Officer assurance that spending has been for a proper Parliamentary purpose.(Paragraph 10) We consider it likely that the APMA proposals for the revision of the Green Book will have implications for the audit and assurance system we are recommending. We have not been able to give the APMA proposals our full consideration because the process of their development has been concurrent with our own deliberations. (Paragraph 11)
3. the audit and assurance of Members' allowances ought to be proportionate and "risk-based". (Paragraph 12)

### External audit

4. We consider that it should be a principle of the audit system that Members' allowances should be subject to the same degree of external audit as other sectors of the public service, no less but also no more.(Paragraph 13)
5. We recommend that the House should continue to ask the NAO to act as its external auditor. (Paragraph 15)
6. We consider that a £25 limit for expenditure without receipt is a sensible way forward. (Paragraph 19)
7. the NAO's trial run provided a useful first impression of how a full scope audit would look in operation. And it did not give grounds for serious concern about Members' use of their allowances. (Paragraph 21)
8. We recommend that the Accounting Officer should remove the current limitation on the scope of the NAO's audit. This would enable the NAO to provide an audit opinion based on a full scope audit carried out on the same basis that applies to other public **bodies**. (Paragraph 22)

### Internal audit

9. the Internal Audit service should treat Members' allowances as a high priority for their work programme. Internal audit staff should have the same access to the evidence submitted by Members in support of claims as the NAO would have when conducting a full scope audit. Each year Internal Audit should, at a minimum, consider all allowances, as well as examining the overall governance and control environment operating within the Department of Resources, and the operation of

the main controls over processing claims by the Department's management and staff. (Paragraph 26)

10. Instead of auditing a specific percentage or number of Members, we recommend that Internal Audit employ an appropriate, risk-based sampling regime developed in accordance with their professional standards, in order to determine what percentage of Members to audit for each allowance. (Paragraph 29)
11. The internal audit strategic partners should be involved in developing the detailed audit strategy for Internal Audit, suggesting sampling and testing regimes and determining how to evaluate results. (Paragraph 30)

### Operational Assurance Unit

12. We recommend that the Department of Resources should concentrate a small group of more senior and experienced staff in an Operational Assurance Unit, composed and managed separately from the section administering payments themselves. The unit's role would be to give advice to Members and to ensure compliance with rules and the maintenance of standards. (Paragraph 35)

### Reporting and compliance

13. We recommend that Internal Audit and the new Operational Assurance Unit should both have an obligation to report regularly to the Members Estimate Audit Committee their findings in relation to assurance of spending on Members' allowances. The external auditor should report to the MEAC at least annually. The MEAC's role should be to advise the Accounting Officer on the implications for his Statement on Internal Control of reports received from the external auditor and Internal Audit as well as assurance from the Department of Resources and the Operational Assurance Unit. (Paragraph 36)
14. We recommend that serious instances of non-compliance identified by Internal Audit, external auditors or the Operational Assurance Unit should, where appropriate, be reported to the MEAC. Through the MEAC, the matter would be reported to the Members Estimate Committee and thereafter onwards to the Standards and Privileges Committee, if warranted by the **circumstances**. (Paragraph 38)

### Concluding remarks

15. It is impossible to guarantee that any proportionate and risk-based system would identify all instances of the misuse of allowances. Even with a full scope audit, no external auditor would ever be able to give complete assurance, although the level of assurance they could give should be increased by the work of Internal Audit and an Operational Assurance Unit in creating a robust control environment. If the House requires a higher level of assurance than our recommendations provide, then a more intrusive and expensive solution will be required. (Paragraph 39)

16. We see the recommendations in this report as a package. Together they provide a proportionate system which would enable Members' allowances to be audited and provide a suitable level of assurance regarding their use. Each element of the system plays a necessary part in providing this assurance and it would therefore be a mistake to approach our recommendations as "pick and mix" proposals. (Paragraph 40)
17. We recommend that our package of recommendations should be implemented with effect from 1 April 2009. (Paragraph 41)

## Annex: Relevant publications

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Members Estimate Committee, Third Report of Session 2007–08, *Review of Allowances*, HC578–I and HC578–II

Office of the Leader of the House of Commons, Audit and Assurance of MPs' Allowances, August 2008, Cm 7460

Committee on Standards and Privileges, Seventeenth Report of Session 2007–08, *Audit and Assurance of MPs' Allowances*, HC1138

# Formal Minutes

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**Monday 15 December 2008**

Members present:

Mr Speaker, in the Chair

Sir Stuart Bell  
Ms Harriet Harman  
Nick Harvey

David Maclean  
Mrs Theresa May

Draft Report (*Revised Green Book and audit of Members' allowances*), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 6 read and agreed to.

Annexes 1 to 3 agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

[Adjourned till Monday 26 January at 5.00 pm]