Written evidence from Dr Joachim Wehner (IGA 11)

The purpose of this submission is to highlight the crucial importance of effective linkages between the estimates, appropriations and the annual report and accounts. These comments should be read in conjunction with my submission and evidence to the Procedure Committee inquiry into the scrutiny of the Government’s supply estimates.

The Gladstonian reforms created a “circle of control” that links estimates and appropriations with accounts on an annual basis. The 1866 Exchequer and Audit Departments Act required appropriation accounts to show the sums appropriated against the money actually spent. Gladstone envisaged a system where estimates provide the basis for appropriations, which in turn are the reference point for the annual accounts. This idea underpins government financial reporting around the world.

In this system, the quality of the annual accounts is inextricably linked to the quality of the estimates and of the appropriations based on them. Put differently, accountability to Parliament through the scrutiny of the annual report and accounts will only be effective if the estimates and the appropriations are designed to support this.

In their current form, the estimates may be useful for the Treasury, but they are not useful for parliamentary scrutiny and oversight. This is because they do not link the spending that Parliament is asked to authorise to the objectives and policies of the Government, and they say nothing about how Parliament and the public should assess what is achieved with this money. Some of this information is available elsewhere, but effective financial scrutiny requires better integration of policy and financial information.

As I argued in my submission to the Procedure Committee, parliaments in several other countries with systems based on the British model – for instance Australia and New Zealand – receive far more informative estimates that provide a rationale and justification for the expenditures members are asked to authorise. This requires a spending classification with objective-based categories, or programmes (Kraan 2007), together with information on actual expenditure in past years and medium-term forward estimates at this level. Programmes can be linked to output and outcome-based performance measures.

Getting to such a system is not easy, and there are different approaches. For example, New Zealand’s Estimates of Appropriations provide an output-based accountability framework, while Australia’s Portfolio Budget Statements focus on outcomes. In both cases, the estimates provide a policy basis for the appropriations, and a baseline against which annual reports can be examined. The UK estimates lack policy and performance information, so Parliament cannot use the annual report and accounts in this way.

To conclude, the annual report and accounts should not be revised in isolation. My recommendation is to reconsider the overall approach to presenting information across the estimates, appropriations and accounts.1 Spending
information in the estimates should be presented on a programme basis. The estimates should justify each programme in a way that clearly sets out the link to government priorities and policy, what is to be achieved, and how to measure performance. The annual report and accounts would then help Parliament to assess delivery as promised in the estimates against what was actually achieved.

Joachim Wehner
London School of Economics and Political Science

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References


International Comparisons

Australia: Portfolio Budget Statements 2014-15

Australia: Department of Education and Training Annual Report 2014-15


1 In-year reporting also deserves attention. Mid-year reports were published in recent years, but not in 2015-16.