

The data needs of Public Accounts Committees

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I was asked to give a talk to members of the Public Accounts Committees of about ten countries yesterday based [on a paper I wrote in 2017](#) which read as noted below. What is shocking is how bad the data supplied to parliaments is, seemingly the world over. Much of that is because many government financial statements are based on the wholly inappropriate International Financial Reporting Standards, that are not fit for this purpose. It was a very worthwhile discussion:

This report was prepared in response to a request from a member of the House of Commons Public Accounts Committee ('PAC') that I suggest the data that a PAC should be in possession of if it was to have a reasonable chance of undertaking the tasks expected of it. The request was made in anticipation of a conference on the role of PACs in March 2017[i].

The House of Commons PAC says of its role that[ii]:

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted to Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the Committee may think fit" (Standing Order No 148).

They add:

This Committee scrutinises the value for money - the economy, efficiency and effectiveness - of public spending and generally holds the government and its civil servants to account for the delivery of public services.

As delivery models for public services have changed, so the reach of the Committee, in following the taxpayer's pound, has spread beyond government departments to also examine public bodies and private companies providing public services.

Whilst warning:

The Committee looks at how rather than why public money has been spent and does not examine the merits of Government policy. That role is performed by the relevant Departmental Select Committee.

Appropriate as these suggestions might be at a functional level they do not adequately describe the role of the committee in governance terms and nor do they explain why that role might differ from that of either an ordinary back bench MP, who has the right to question any minister in the House, or of a member of the public when they have access to a surprising amount of information, even if most are unaware of it[iii].

Dame Margaret Hodge MP, who chaired the House of Commons PAC from 2010 to 2105, and enormously increased its status in the process of doing so, suggested in a recent book (Hodge, 2016, 21)[iv] that:

The role of the Public Accounts Committee is to hold the government to account for the way it spends public money.

Again, whilst I have enormous respect for Margaret Hodge, with whom I have had much contact as our interests often overlapped during the many investigations that she led in the PAC into tax related issues, I do think that this definition, whilst benefitting from succinctness, requires expansion. This is why in this paper I suggest that the best equivalent to the role the PAC undertakes is that of the non-executive directors, acting in unison, on the board of a major company, with ministers in this analogy being the executive directors.

The suggestion has not been chosen lightly. Firstly, non-executive directors are not third party bystanders to the operation of a company. They are insiders. They hold joint and several responsibility with the executive directors for the actions of the entity they are tasked with governing. And if it fails they are accountable for that failure just as much as those who actually directed its day-to-day operations. I think this is true of the PAC. Its members are, like ministers, parliamentarians. They are not interested outsiders, which might be the role of the shareholders in this analogy, or even concerned observers, as are the stakeholders of a large corporation. They are quite specifically insiders with a definite task to do.

The fact that they exercise that role in a committee suggests, however, that there are other facets to their work. This structure implies that there is a collective duty. Furthermore, it suggests it is continuing: the duty of the member is to be part of an on-going body of work that in turn requires they uphold its integrity. It also permits the attribution of powers to the collective that the individual might not have, and it is very clear that the PAC does enjoy such status.

This power and responsibility does then demand that a PAC accept the weighty task given to it. But that also requires that it demand the powers that go with that task,

including the right to access information that is required for it to form and then exercise its judgement. Again the comparison with a board of directors is appropriate. A non-executive director is assumed to have as much access to the data of a corporation as the executive directors do. And they are presumed to have the right to demand additional data if it is required for their purposes, again just as the executive might. What is more, they are expected to ensure that in their role as Board members the information provided for their collective consideration is fit for purpose.

This paper suggests that the House of Commons PAC is not supplied with information fit for its purposes at present. As example, at the most basic level the accounting data produced by government departments does not compare outcomes with budgets. Bizarrely, those budgets and accounts are even prepared on different accounting bases; UK government budgets being cash based and government accounting being accruals based. There are then considerable issues that the UK PAC and those other PACs that seek to emulate its work need to face if they are to secure the data that they need to undertake their work to the standard that their electorates expect of them.

The paper is intended to provoke discussion, not least, it is hoped, with the PAC itself. Comments are welcome.

[ii]

<https://www.uk-cpa.org/news/multilateral-forum-brings-together-uk-overseas-territories-and-the-uk-to-discuss-good-practice-in-public-financial-management/>

[iii]

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/role/>

[iv] For example, each UK government department publishes a set of accounts concerning its own affairs, as does the UK government as a whole.

[iv] Hodge, M, 2016 'Called to Account', London: Little, Brown