



National Audit Office

Independent Parliamentary Standards Authority

The payment of MPs' expenses

Detailed methodology

JULY 2011

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Document review

1 We reviewed published and unpublished documents produced by IPSA, as well as reports produced by other bodies, including the Committee for Standards in Public Life.¹ The primary purpose of this review was to identify relevant policies, strategies, developments and analyses of effectiveness.

2 In particular, we focused on thematically reviewing IPSA's Board papers. This informed our understanding of the set-up of IPSA, the implementation of the MPs' expenses scheme, and how it operates at the moment. We were able to explore the decisions and costs surrounding the Authority locating to Portland House. Subsequently, we compared the Authority accommodation against a cross-government benchmark.

3 We also reviewed a number of published and unpublished documents authored by IPSA on the calculation of budget limits in the new scheme and on its running of consultations.² We carried out desk-based research and a number of statistical tests to validate the budget limits and, where necessary, evaluate their appropriateness. This desk-based research included online research of hotel and rental costs in London to compare to the second edition of the expenses scheme. We also evaluated calculations for limits on mortgage interest payments, general administrative and constituency office rental expenditure, and staffing.

4 To understand the contingency claims³ process we used a range of methods, including: carrying out interviews with members of the Authority's Leadership and Policy teams; document review of Board and Contingency Panel minutes; quantitative analysis of contingency claims data on Excel; and collecting some survey data from MPs on this issue (see below).

¹ Sir Christopher Kelly for the Committee on Standards in Public Life. *MPs' expenses and allowances: supporting Parliament, safeguarding the taxpayer*, November 2009.

² Independent Parliamentary Standards Authority. *Annual Review of the MPs' Expenses Scheme: Consultation*, January 2011.

³ MPs can apply for budget uplifts or 'contingency claims' where they can provide legitimate evidence of why this is required. The Authority provides MPs with a standard form and process to follow.

Review of systems controls

5 We reviewed the controls around implementing the expenses scheme to assess the strength of the system and its ability to detect error. We developed a process map by using an input-process-output (IPO) model. This involved a range of methods, including:

- a process walkthrough with staff throughout IPSA;
- interviews with IPSA staff and members of the Senior Leadership Team;
- reviews of published and unpublished IPSA documents;
- a walkthrough of the online expenses system, expenses@work; and
- secondary data analysis on claims and system usage.

6 We also reviewed IPSA's guidance on how to claim for travel and subsistence; general administrative expenditure; constituency office rental; mileage; accommodation and advances.

7 The process walkthroughs we carried out allowed us to explore the different stages that individual claims have to go through and how they are quality assured. We also engaged with IPSA's MP Training Manager to understand the primary issues MPs raise when using the expenses@work system. Finally, we inputted test claims into the system and conducted walkthrough tests with a small number of MPs and their staff.

8 The draft process map was subjected to internal scrutiny and quality assurance processes, before the finalised version was used to inform a central part of our cost per claim work, which is described below.

Calculating and comparing cost per claim

9 We used quantitative data supplied by IPSA alongside data from interviews with Authority staff to allocate and analyse the cost per claim it incurs. We also requested similar data from the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly in order to develop comparative costs.

10 Our approach was scrutinised and refined internally and was then shared with IPSA to check factual accuracy. The main steps we went through to calculate and compare the cost per claim line were:

- a** scoping interviews with high-level staff in IPSA and analysis of documentary evidence;
- b** process mapping, as described above;
- c** analysis of IPSA's full staff costs by role, including ERNIC and pensions contributions;
- d** detailed interviews with IPSA staff, and based on this the allocation of staff costs to different functions, where necessary splitting time between different roles by estimated percentages;
- e** calculation of the cost per staff member under each function and of total costs for each function;
- f** apportionment of non-staff costs from supporting IPSA documentation, and, where available, from the draft accounts;
- g** calculation of direct and indirect costs to arrive at a cost per category;
- h** estimation of the number of claim lines IPSA could expect in a normal, steady state year by annualising claim numbers from August 2010 to March 2011; and
- i** calculation of the cost per claim line as at May 2011 by dividing the total cost of dealing with expenses, including a fair apportionment of indirect costs and overheads, and dividing by our calculated number of claims.

11 A similar process was conducted, but for direct costs only, to examine the cost of comparator UK legislatures.

Survey of MPs

12 We conducted a postal survey of all 648 MPs.⁴ Questionnaires were completed between 16 May and 17 June 2011 and we received 325 responses with an overall response rate of 50 per cent.

13 The survey involved 27 questions, some with sub-questions, which were drafted by members of the study team in conjunction with our VFM Practice and Quality Team. The questionnaire was subject to a number of internal quality assurance tests and reviews, as well as an Ipsos MORI evaluation of our approach and questions, the result of which was positive. The questionnaire was also piloted by four MPs on a voluntary basis.

⁴ At the time of the fieldwork, two of 650 Parliamentary seats were vacant.

14 A number of steps were taken to ensure the anonymity of MPs responding to the survey, including: conducting a paper survey; the covering letter clarifying responses could be subject to Freedom of Information requests; a limited set of background questions; and questionnaires only being numbered once they had been received in our office.

15 MPs were given around a month to respond with one reminder sent by the Comptroller and Auditor General and one reminder form the Leader of the House sent to all MPs' assistants on 20 May. Further information is available in our full survey report, *Findings from the NAO's survey of MPs*.

16 Following the entry of data, which was double-checked to ensure that it was correctly inputted, quantitative data was analysed using the Statistical Package for the Social Sciences (SPSS) and the qualitative data from open responses was thematically coded using Excel to ensure a robust data trail.

17 We also appointed Ipsos MORI to ask a question in their General Public Omnibus Survey about public confidence in the current expenses system. The sample was made up of 1008 respondents and was weighted to the profile of the national population by: age, gender, social grade, work status, region, public/ private sector employment, number of cars in household and ethnicity. Respondents were asked '*Over the last year, do you think the situation with MPs' expenses has generally...: got much better, got a little better, stayed the same, got a bit worse, got a lot worse or if they do not know*'. The results from this survey are presented in the full report.

Analysis of the Authority's Data

18 We used a variety of methods and analysed a range of data from IPSA to calculate trends in performance. This included:

- an assessment of the Authority's performance against its seven key performance indicators between October 2010 and April 2011. This data is summarised in Appendix Two to the main report;
- an evaluation of the Authority's performance in processing claims based on published data and internal Operational Performance Reports. This is explored throughout Part Two of the report;
- analysis of IPSA's data on written and telephone enquiries and responses, as well as average call length; and
- analyses of the number of claims received, processed, paid and not paid.

Transparency

19 We examined IPSA's actions to promote public transparency. We carried out a document review of their publication policy and supporting Board papers. We also:

- carried out a document review of the Constitutional Reform and Governance Act, published IPSA documents, and Board papers;
- interviewed IPSA staff and the Compliance Officer team;
- explored the transparency section of IPSA's website; and
- compared IPSA to other expenses systems (see below).

Comparison of other expenses systems

20 We compared IPSA to a number of other expenses systems in public and private sector organisations. We considered various systems operating in ten legislatures, five UK public sector organisations and two UK private sector organisations. The ten legislatures whose expenses systems we compared to IPSA's were:

- the Scottish Parliament;
- the National Assembly for Wales;
- the Northern Ireland Assembly;
- the European Parliament;
- United States;
- Canada;
- Australia;
- New Zealand;
- Sweden; and
- Norway.

21 The five UK public sector organisations whose expenses systems we compared to IPSA were:

- Civil Service;
- Local Government;
- Department for International Development (DFID);
- Ministry of Defence (MOD); and
- Foreign and Commonwealth Office (FCO).

22 In each case we examined the rules and controls governing what can be claimed for, transparency and the process for claims submission and processing. Within these areas we assessed the levels of disclosure; rules and oversight mechanisms; measures of administrative efficiency; ease of access and levels of support; time limits for submissions; and reasons for any system changes. In order to evaluate comparators within these the categories we used the following methods:

- reviews of published and unpublished documents from IPSA and all comparators;
- reviews of reports into systems in comparator legislatures; and
- correspondence and telephone interviews with comparator organisations and legislatures.

23 The data was then documented and analysed within a framework that used thematic analysis to enable us to note lessons that the Authority should consider when developing its Scheme in the future. The approach, analysis and conclusions were all scrutinised through internal quality assurance processes, including consultation with our internal VFM Practice and Quality team.

The Authority's other functions

24 We examined IPSA's other functions of regulation, the Compliance Officer and payroll. This involved thematic analysis of data from a number of interviews with Authority staff, and the Compliance Officer and his team. Furthermore, we carried out a document review of published and unpublished IPSA documents, as well as other publicly available information.

25 To evaluate the value for money of the Compliance Officer role, the study team:

- reviewed the Constitutional Reform and Governance Act 2010, within which the Compliance Officer post was established;
- evaluated the cost of the Compliance Officer and his team of 2.5 FTE;
- interviewed the Compliance Officer and members of his team; and
- collected data on the number of preliminary investigations and their associated cost.

26 To assess the value for money of IPSA's handling of complaints and information requests we used a number of methods. These included:

- collecting data on the number of Freedom of Information requests, Parliamentary Questions, written enquiries and logged formal complaints;
- reviewing associated Board Papers and their action points;
- assessing the Authority's complaints handling procedures against the Parliamentary and Health Service Ombudsman guidelines; and
- interviewing IPSA staff, members of the Senior Leadership Team and the Compliance Officer and his team.

27 In addition, we assessed how effective IPSA had been in its role of responsibility for the salaries of its own employees, as well as MPs and their teams: a total of some 3,400 salary payments a month, 2,700 of them MPs' staff. In order to judge whether the Authority's payroll function was working effectively and achieving value for money we:

- collected data on the payment of salaries for IPSA staff, MPs and MPs' staff. This included data on the number of payment errors;
- reviewed associated Board papers and their action points; and
- interviewed IPSA staff and members of the Senior Leadership Team.