



## OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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### **BUSINESS APPOINTMENT APPLICATION: SIR EDWARD TROUP**

The Committee has been asked to consider an application from Sir Edward Troup, former Permanent Secretary at Her Majesty's Revenue and Customs (HMRC), for advice on taking up an appointment with McKinsey and Company.

Sir Edward's last day in Crown service was 15 January 2018.

#### Appointment details

Sir Edward proposes to take up a paid, part-time role as an External Consultant at McKinsey and Company (McKinsey), the global management consulting firm.

Sir Edward has provided the following information about his proposed role and responsibilities:

- McKinsey provide consultancy advice to overseas tax administrations on their strategy, organisation and operational performance. He would be one of McKinsey's "Senior Advisers in Tax" supporting McKinsey's advice for particular clients drawing on his experience in the development of tax strategy and policy and in the organisation and management of tax administrations.
- He expects, "for any particular client tax administration, to provide high level input on the challenges of compliance, enforcement, strategy and organisation that they face, drawing on my experience as a tax professional of over 20 years working in a global law firm, my work with HMRC and HM Treasury and my understanding of the differing approaches taken by tax administrations and businesses in the UK and elsewhere. I will not be using any confidential information and, as the advice is intended to support client tax administrations with the improvement of their own tax collection structures and processes, there should be no conflict with any UK interests. Indeed, the effective operation of partner tax administrations is generally regarded as beneficial to both global tax collection and the UK's international interests."
- Initially McKinsey have asked him to support work they are currently undertaking on the tax administration in a non-EU country. He added that he may also spend some time with McKinsey internal teams talking to them about the challenges and dynamics of tax

collection and policy in order to enhance their own internal understanding. He explained that what he had in mind here was the impact of policy choices on tax collection. He says that he has no privileged information here and his knowledge is based as much on his previous 23 years experience as a tax professional as on his experience as a civil servant.

- The appointment is not likely to include any contact or dealings with his former department or Government more generally.
- Sir Edward stated: "This appointment will relate only to the internal organisation, strategy and performance of tax administrations outside the UK, including potentially other EU tax administrations. It will not relate to any dealings those administrations have with the UK. If either of these points are regarded as of concern, I would have no problem with appropriate conditions being applied to the Committee's approval of this appointment."
- He envisages engagement with between one and four client tax administrations in any year. The nature of the involvement will be subject to agreement on a case-by-case basis, but he expects a typical engagement to involve one or more visits to the local head offices of the relevant administration/finance ministry and follow-up work with McKinsey on any conclusions, advice and implementation.

### **Contact with McKinsey while in office**

Sir Edward confirmed he has not had, or been responsible for, any contractual dealings with McKinsey over the last two years of his time in office, or any significant contractual dealings before that; nor was he responsible for people who have had contractual dealings with McKinsey. He also stated he had no official dealings with competitors of McKinsey during his last two years in office.

Sir Edward confirmed he has had official contact with McKinsey. He said that McKinsey approached HMRC in 2016 to obtain comparative information on the operation of HMRC; its strategy, organisation, transformation and compliance approach. This was part of a survey McKinsey were undertaking of a number of tax administrations worldwide, which they developed into a comparative analysis of the challenges, strengths and weaknesses of different organisational and compliance approaches.

In his role as Chair of the Organisation for Economic Co-operation and Development's (OECD) Forum on Tax Administration (from 2014 to 2017), Sir Edward subsequently asked McKinsey to present the conclusions of their comparative analysis to a meeting of tax commissioners from across the OECD in Oslo in 2017.

He added that he believes that McKinsey may in the past have provided advice on a paid basis to HMRC. He said that he had no direct engagement with McKinsey on any such advice and has no direct knowledge of their past involvement with HMRC.

Sir Edward stated he did not apply for an advertised post. He said he met the partners involved in the comparative analysis of selected tax administrations across the world in the course of their fact-finding. He had also worked with McKinsey while acting as the Chair of the OECD Forum on Tax Administration. He was approached by McKinsey after he had retired from HMRC about the proposed appointment.

### **Access to privileged information**

Sir Edward confirmed that through his official duties, he had access to commercially sensitive information about competitors of McKinsey. However, he said that “while information on the tax affairs of any business is likely to be commercially sensitive, I do not believe that any such information is relevant to this appointment and I am, in any event, subject to the statutory duty of confidentiality, subject to criminal penalty, in respect of any such information under the Commissioners of Revenue and Customs Act 2005.”

Sir Edward said that while he has in the past had confidential information on tax policy related to budgets, in almost every case, this becomes public or obsolete at the next annual budget. As a result he said he does not hold any information (privileged or otherwise) on policy beyond what is in the public domain.

### **Departmental view**

HMRC contacted McKinsey’s competitors (Deloitte, PWC, PA Consulting, KPMG, and EY) to ascertain if they had any issue with Sir Edward’s appointment and the work he proposes to do with McKinsey. No objections or issues were raised with Sir Edward’s appointment.

As Sir Edward was a Permanent Secretary, Sir Jeremy Heywood, Cabinet Secretary and Head of the Civil Service, provided the countersigning officer’s assessment in this application.

He has no reservations about the appointment.

The Cabinet Secretary noted that whilst Sir Edward was Executive Chairman he had no influence or involvement in any contract letting or contract management, which reported to Jon Thompson as the CEO and Accounting Officer. Any formal contract approvals went through the HMRC Investment Committee of which he was not a member.

He confirmed Sir Edward has had no access to information relating to competitors of the new employer, which could be regarded as being commercially valuable or sensitive.

The Cabinet Secretary recommended a 2-year lobbying ban and conditions precluding the use of privileged information. He also recommended that Sir Edward should not work on UK tax issues for 2 years.

### **Committee’s consideration**

The Committee observed that Sir Edward is seeking to move from a senior role at HMRC into an appointment in the same sector, which poses some risks under the Government’s Business Appointment Rules.

The Committee also noted that Sir Edward is a former professional tax lawyer, so is returning to an area he worked in before becoming a civil servant.

In considering this application the Committee took into account that the appointment will relate only to the internal organisation, strategy and performance of tax administrations outside the UK. It will not relate to any dealings those administrations have with the UK and the Cabinet Secretary has recommended a condition that precludes him working on UK tax issues. Such a restriction significantly lessens the propriety risks associated with this application.

The Committee has considered the risk under the Business Appointment Rules of this appointment being seen as a reward for decisions made in office, particularly in light of recent

press coverage around contracts awarded to McKinsey, including HMRC paying McKinsey £680,000 to help design a Brexit customs arrangement.

It noted that while Sir Edward had some official contact with McKinsey while at HMRC, he said he had no direct engagement with McKinsey on any paid advice that McKinsey may have provided to HMRC.

The Cabinet Secretary confirmed that Sir Edward had no influence or involvement in any contract letting or contract management. Such matters were the responsibility of Jon Thompson, as the CEO and Accounting Officer. Further, any formal contract approval goes through the HMRC Investment Committee of which Sir Edward was not a member. In light of this information, the Committee assessed there is no objective reason to conclude this appointment is a reward for decisions made in office.

The Committee noted Sir Edward said the advice he intended to provide would be to support client tax administrations with the improvement of their own tax collection structures and processes; and would not depend on the use of privileged information. However, the Committee must also consider whether there is a risk that Sir Edward had access to information that could be seen to offer McKinsey an unfair advantage and consider appropriate mitigation.

The Cabinet Office has confirmed that Sir Edward had no access to information relating to competitors of McKinsey, which could be regarded as being commercially valuable or sensitive. McKinsey's competitors have been approached by HMRC and no objections or concerns have been raised.

The Committee considered it was relevant that Sir Edward is moving to a role advising overseas tax administrations, at a time when the UK's customs relationship with the rest of the world is a central issue for the UK's fiscal policy. The Committee is aware that Brexit issues have been moving quickly over the last few months and that Sir Edward left his post in January. Nevertheless, the Committee considered it would be appropriate to impose a specific constraint on Sir Edward advising on Brexit-related issues. The privileged information condition set out below would preclude him from making use of this to benefit McKinsey and its clients, should he have been party to any information about HMRC's thinking about possible Brexit fiscal arrangements. The Committee also noted that Sir Edward has a statutory duty of confidentiality under the Commissioners of Revenue and Customs Act 2005.

The Committee considered that given the senior role Sir Edward held at HMRC and the nature of his proposed appointment at McKinsey, it would be appropriate for there to be a substantial gap between leaving Crown service and commencing his new role. Had Sir Edward sought to take up this appointment immediately after leaving Crown service, the Committee would have imposed a waiting period. However, it considers the six months that have passed since his last day in Crown service provides an appropriate gap between leaving Government and taking up his new position.

The information provided by the Government is clear that there is no evidence the appointment is a reward for decisions made in office. The greater risk in this case is that there will be a perception that the appointment could provide McKinsey and its clients with an unfair advantage. However, that must be balanced against the mitigation provided by the narrow terms of the employment with McKinsey, the fact that McKinsey's competitors have expressed no concerns and the conditions set out below, which seek to appropriately constrain Sir Edward's activities.

The Prime Minister accepted the Committee's advice that this appointment be subject to the following conditions:

- he should not draw on (disclose or use for the benefit of himself or the organisations to which this advice refers) any privileged information available to him from his time in Crown office;
- for two years from his last day in Crown service he should not advise EU tax administrations where that advice would be directly relevant to Brexit-related issues;
- for two years from his last day in service he should not work on UK tax affairs. By 'UK tax affairs' we mean UK government tax affairs, tax affairs of UK institutions or individuals in the UK or overseas and tax affairs of overseas institutions or individuals in the UK;
- for two years from his last day in Crown service he should not work directly or indirectly on the tax affairs of McKinsey & Company or any of its clients other than overseas tax administrations;
- for two years from his last day in Crown service he should not work on any matter (including advice or assistance to an overseas tax administration) which involves any dealings with any part of the UK Government or HMRC;
- for two years from his last day in Crown service, he should not provide advice to McKinsey or its partners or clients on the terms of, or with regard to the subject matter of, a bid or contract relating directly to the work of HMRC; and
- for two years from his last day in Crown service he should not become personally involved in lobbying the UK Government on behalf of McKinsey or its partners or clients. Nor should he make use, directly or indirectly, of his Government and/or Crown Service contacts to influence policy or secure business or funding on their behalf.

By 'privileged information' we mean official information to which a Minister or Crown servant has had access as a consequence of his or her office or employment and which has not been made publicly available. Applicants are also reminded that they may be subject to other duties of confidentiality, whether under the Official Secrets Act, the Civil Service Code or otherwise.

The Business Appointment Rules explain that the restriction on lobbying means that the former Crown servant/Minister "should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders) – wherever it takes place - with a view to influencing a Government decision, policy or contract award/grant in relation to their own interests or the interests of the organisation by which they are employed, or to whom they are contracted or with which they hold office."

I should be grateful if you would ensure that we are informed as soon as Sir Edward takes up this appointment, or if it is announced that he will do so (I enclose a form for this purpose). We shall otherwise not be able to deal with any enquiries, since we do not release information about appointments which have not been taken up or announced, and this could lead to a false assumption being made about whether he had complied with the rules.

I should also be grateful if you would ask that Sir Edward informs us if he proposes to expand or otherwise change the nature of his appointment as, depending on the circumstances, it may be necessary for him to make a fresh application.

Once this appointment has been publicly announced or taken up, we will publish this letter on the Committee's website and, if appropriate, refer to it in the relevant annual report.

Yours sincerely

Nicola Richardson  
Committee Secretariat