

Allegations against Rt Hon Dr Liam Fox MP

Report by the Cabinet Secretary

Scope of Inquiry

1. Following the request of the then Defence Secretary to his Permanent Secretary to undertake a review of the allegations made against him, in particular in relation to security implications, you asked me to establish the facts of the case in relation to the former Defence Secretary's conduct in the context of the Ministerial Code. Since then, more allegations about Dr Fox's conduct have arisen many of which will be the responsibility of others to answer, including the Electoral Commission which regulates political parties and their funding. This report looks into allegations relating to potential breaches of the Ministerial Code.

Issues arising under the Ministerial Code

2. Dr Fox had been Secretary of State for Defence since May 2010. As a Minister, Dr Fox was required to observe the principles set out in Section 7 of the Ministerial Code that:

“Ministers must ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise.”

3. The Code goes on to say:

“On appointment to each new office, Ministers must provide their Permanent Secretary with a full list in writing of all interests which might be thought to give rise to a conflict.....”

“Where is it proper for a Minister to retain a private interest, he or she should declare that interest to Ministerial colleagues if they have to discuss public business which in any way affects it and the Minister should remain entirely detached from the consideration of that business. Similar steps

may be necessary in relation to a Minister's previous interests."

"Ministers must scrupulously avoid any danger of an actual or perceived conflict of interest between their Ministerial position and their private financial interests. They should be guided by the general principle that they should either dispose of the interest giving rise to the conflict or take alternative steps to prevent it. In reaching their decision they should be guided by the advice given to them by their Permanent Secretary and the independent adviser on Ministers' interests. Ministers' decisions should not be influenced by the hope or expectation of future employment with a particular firm or organisation."

"Where exceptionally it is decided that a Minister can retain an interest, the Minister and the department must put processes in place to prohibit access to certain papers and ensure that the Minister is not involved in certain decisions and discussions relating to that interest."

My Inquiries

4. The Ministry of Defence published its initial findings on 10 October (Annex A). During the past week officials have continued their trawl for evidence. In addition, Cabinet Office officials have taken evidence from Mr Werritty and Mr Moulton volunteered to give evidence. I have also met Dr Fox.

Mr Werritty's visits to MOD Main Building

5. Mr Werritty visited Dr Fox in MOD Main Building on 22 occasions (Annex B). 17 of these were for personal one-on-one discussions. A further two were bilateral meetings, but with a Private Secretary present because of potential links with government business in connection with Dr Fox's forthcoming lecture in Sri Lanka. A third was a meeting with Dr Peries from the Sri Lankan Ministry of Foreign Affairs in October 2010 at which a Private Secretary and a special adviser were present. The meeting was organised by Mr Werritty as part of a programme for Dr Peries' visit to London. The fourth was a meeting with special advisers present to discuss Mr Werritty's business cards.
6. This leaves a meeting between Dr Fox and Matthew Gould, the then UK Ambassador Designate to Israel in September 2010. I understand that this was a general discussion of international defence and security matters to enable Mr

Gould better to understand MOD's perspective of the security situation in the Middle East. Mr Werritty was invited to attend as an individual with some experience in these matters. As a private citizen, however, with no official locus, it was not appropriate for Mr Werritty to have attended this meeting. Dr Fox has since acknowledged this.

7. This highlights the blurring of lines between Dr Fox's private and official responsibilities which he has since acknowledged was not appropriate and not acceptable. Mr Werritty's use of business cards describing him as an adviser to Dr Fox gave the impression that Mr Werritty spoke on behalf of the UK Government and/or was associated with Dr Fox in some form of official capacity. This may have been confusing for foreign governments and representatives who may not have understood the differences between a person acting as an external adviser and an adviser to Government.
8. Details have separately been disclosed today of further meetings held between two MoD Ministers and Mr Werritty. Lord Astor of Hever the Parliamentary Under Secretary of State and Government Spokesperson had had: occasional social contact with Mr Werritty; contact as a result of their previous involvement with the Atlantic Bridge; and contact in passing when visiting Bahrain for the Mamama Dialogue in December 2010. None of these meetings involved official MOD business.
9. In addition, Mr Gerald Howarth, the Parliamentary Under Secretary of State for International Security Strategy, met Mr Werritty twice at social events and one official meeting at the suggestion of Dr Fox. There was no follow up to these meetings.

National Security

10. Dr Fox has stated to Parliament that Mr Werritty had no access to classified documents and was not briefed on classified matters. There is nothing in the evidence we have taken to contradict this.

Personal Security

11. The disclosure outside MOD of diary details about future visits overseas posed a degree of security risk not only to Dr Fox, but also to the accompanying official party. Dr Fox has accepted that such disclosures were not appropriate. Clearer and stricter guidance will be issued within MOD about revealing to third parties any information about Ministers' future commitments, travel plans and accommodation arrangements, including in cases where the Minister wishes such details to be disclosed. I am of the view that this is an issue which was specific to Dr Fox. However, I will ensure that this guidance is made available to other departments.

Overseas Visits

12. Dr Fox made a total of 18 overseas visits on which he met Mr Werritty. An up-to-date programme is at Annex B. During some of these visits Mr Werritty attended informal meetings with Dr Fox at which foreign officials were present.

13. We have also identified two occasions where Dr Fox had pre-arranged meetings overseas at which a member of his private office should have been present because of the likelihood that government business would be discussed:

- a. 17 June with Mr Boulter in Dubai. Dr Fox has explained to Parliament the background to this meeting, and the subjects discussed. Dr Fox

has acknowledged that conducting this meeting without a private secretary present was unwise and inappropriate;

- b. 6 February in Tel Aviv. This was a general discussion of international affairs over a private dinner with senior Israelis. The UK Ambassador was present.

14. In addition to these occasions, there is a clear risk that some of Mr Werritty's international contacts may have gained the impression that he was speaking for and/or representing the UK Government. As is made clear above about the handling of meetings in the MOD Main Building similar issues arise in relation to overseas visits. This illustrates the danger of a blurring of lines and a lack of clarity of roles which was unacceptable and Dr Fox must bear some responsibility for this. Private office attendance was offered for both the visits set out above and declined by Dr Fox. This should not have been allowed to happen. Ministers should respect the advice they are given particularly when there are security or propriety implications for the decisions they take.

Proper use of public funds

15. There is no evidence from this review that casts doubt on Dr Fox's statement to Parliament that public funds were not misused.

Funding of Pargav

16. Mr Werritty describes the work of Pargav as a not-for-profit organisation which has supported his work in the Middle East. The company received donations from a number of individuals and companies, some of whom had donated previously to Dr Fox and/or the Conservative Party. Mr Werritty informed us that the donors to Pargav are

Oceana Investments

Mr Jon Moulton
G3 Ltd
Tamares
IRG Ltd
Mr Michael Davis

Mr Werritty also has a company, Todiha Ltd, which is Mr Werritty's personal company and this company invoiced Pargav for Mr Werritty's services.

17. As has already been made public, Dr Fox facilitated an introduction between Mr Werritty and a donor. The links between Dr Fox and Mr Werritty means that the donations given to Mr Werritty could at least be seen as giving rise to the perception of a conflict of interest. There is no evidence that Pargav sought to win contracts from the MOD or to influence procurement decisions. Both Mr Werritty and Dr Fox are clear that Mr Werritty never lobbied Dr Fox on behalf of donors.

Proper conduct of Government business

18. Dr Fox's close and visible association with Mr Werritty in the UK and overseas, and the latter's use of business cards portraying himself as an adviser to Dr Fox, risked creating the impression that Mr Werritty spoke on behalf of the UK Government or was officially associated with Dr Fox. This was a particular problem in this case given the very large number of instances where Dr Fox met Mr Werritty overseas, and the damage arose because of the frequency and extent of these contacts and that they were not regulated as well as they should have been.

19. As the Foreign Secretary has separately made clear publicly, Dr Fox's relationship with Mr Werritty did not impact on UK foreign or security policy. That is agreed by the National Security Council and the Cabinet. He also said of Dr Fox that "If I asked him not to go to Sri Lanka, then he didn't go. Or if I asked him

when he went to convey messages of the UK Government, messages from me, then he conveyed those messages”. However, for the future we should strengthen the safeguards around this, making clearer who is or is not a member of a Ministerial team/delegation, and that official members of delegations accompanying Ministers to meetings overseas must respect HMG’s foreign policy positions.

20. I therefore propose a stronger and clearer system which is better understood by Ministers and officials alike. Specifically, this episode has exposed a gap in dealing with matters that may appear initially only to be of minor concern, but give rise incrementally and over time to substantial concern. The system needs to be strengthened to allow such concerns to be aired between Permanent Secretaries and Ministers, and where issues cannot be resolved they are referred to me and ultimately to you.

Conclusion

21. Dr Fox has already accepted that his actions and judgement fell short of the standards of conduct required in the Ministerial Code and the evidence in this report supports the conclusion of a clear breach of the Ministerial Code. He should have declared to his Permanent Secretary that Mr Werritty was a friend who had a company, Pargav, which was funded by a number of donors, some of whom had provided funding to Dr Fox when in Opposition.

22. The Ministerial Code requires Ministers to ensure that no conflict arises, or could reasonably be perceived to arise, between their public duties and their private interests, financial or otherwise. Dr Fox’s actions clearly constitute a breach of the Ministerial Code which Dr Fox has already acknowledged. This was a failure of judgement on his part for which he has taken the ultimate responsibility in resigning office. Your foreword to the Ministerial Code makes clear that you expect Ministers to act in the national interest, above improper influence, and to serve to the highest standards of conduct. The Ministerial Code sets out very clearly the standards of behaviour required from Ministers. Dr Fox did not live up to these standards which he has since acknowledged.

23. Dr Fox's close and visible association with Mr Werritty in the UK and overseas, and the latter's use of misleading business cards, has fuelled a general impression that Mr Werritty spoke on behalf of the UK Government. The risks of Dr Fox's association with Mr Werritty were raised with Dr Fox by both his private office and the Permanent Secretary. Dr Fox took action in respect of business cards but clearly made a judgement that his contact with Mr Werritty should continue. This may have been a reasonable judgement had the contacts been minimal and purely personal and had not involved Mr Werritty's frequent attendance at meetings in the MoD main building and on overseas visits. The damage arose because the frequency, range and extent of these contacts were not regulated as well as they should have been and this was exacerbated by the fact that Dr Fox did not make his department aware of all the various contacts. I also conclude that the links and a lack of clarity of roles means that the donations given to Mr Werritty could be seen as giving rise to the perception of a conflict of interest.

24. In this case there was an inappropriate blurring of lines between official and personal relationships. Mr Werritty should not have been provided with access to Dr Fox's diary and itinerary. Nor should he have been allowed to participate in the social elements of the then Defence Secretary's overseas trips in a way which might have given rise to the impression that he was part of the official party. He should not have had meetings in the MOD with such frequency as did occur, as this access may have provided others with a belief that Mr Werritty was speaking for Government and was part of an official entourage. This impression was of course reinforced by the business cards which Mr Werritty provided to people. However, I have found no evidence that Dr Fox gained financially in any way from this relationship.

25. The Cabinet Office was not aware of Mr Werritty. Mr Werritty was neither a special adviser nor an official unpaid adviser, but a personal friend of Dr Fox's (and not himself a lobbyist). There therefore needs to be a more rigorous approach to avoid similar blurring of lines between personal and official business in the future and recommendations for handling this are covered later in my report.

26. The Government already publishes on a quarterly basis, details of meetings between Ministers and external organisations, including lobbyists. This is critical in ensuring complete transparency on who Ministers are meeting. The publication of contracts over £500 is also an important initiative and taken together ensure transparency and accountability. Whilst Mr Werritty was not a lobbyist, the Government's commitment to consult on a statutory register of lobbyists will bring further transparency to this area.

Recommendations

27. I therefore recommend that:

- a. Where discussions take place with external organisations which raise substantive issues relating to departmental decisions or contracts and where an official is not present Ministers should inform their department.
- b. On Ministerial visits, whether in the UK or abroad, departments should make sure there is no confusion about who is and is not a member of the Ministerial party.
- c. Officials should accompany Ministers to all official visits and meetings overseas at which it is expected that official matters may be raised, and should seek guidance from the FCO if there is any uncertainty about the status of such meetings or the attendance of non-officials at them.
- d. Permanent Secretaries should discuss with Ministers at the time of their appointment and regularly thereafter whether any acquaintances or advisers have contractual relationships with the department or are involved in policy development. The Minister and the Permanent Secretary should take action as necessary to ensure there can be no actual or perceived conflict of interest in line with the principles of the Ministerial Code.

- e. Permanent Secretaries should take responsibility for ensuring departmental procedures are followed, and for raising any concerns with Ministers, advising the Cabinet Secretary and ultimately the Prime Minister where such concerns are not resolved.

28. If you accept my recommendations I will write to Permanent Secretaries to set out the processes that now need to be followed.

Sir Gus O'Donnell

October 2011