

FAO Mr Gareth Davies
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

By email only to enquiries@nao.org.uk

26 March 2024

Dear Mr Davies,

Re: Investigation into Ministry of Defence accounts and contracts relating to Saudi Arabia

We are writing to ask the National Audit Office (NAO) to carry out and publish an investigation into the Ministry of Defence's (MOD) bank accounts and contracting arrangements relating to Saudi Arabia, and the risks of corruption, in light of serious allegations that the MOD facilitated or signed off on payments to benefit Saudi public officials on government contracts with the country until very recently.

Background

The UK government has had a Memorandum of Understanding with the Saudi Arabian government since 1978 to provide billions of pounds worth of military communications equipment, maintenance and training to its National Guard through the Saudi Arabian National Guard Communications project (SANGCOM). From 1994 to 2019, the MOD's prime contractor was GPT Special Project Management Limited (GPT), which from 2007 operated as a subsidiary of the defence giant Airbus.

In April 2021, GPT pleaded guilty to making corrupt payments to public officials in Saudi Arabia, between 2008 and 2010, to secure and maintain contracts under the SANGCOM project. When sentencing the company, the judge reduced GPT's fine because of his finding that the UK government "*was substantially involved in the historic corrupt arrangements which led to GPT's offending conduct.*"¹

On 6 March 2024, two men, Jeffrey Cook and John Mason, were acquitted of making the same payments between 2007 and 2012. Significant evidence emerged in the proceedings against Mr Cook and Mr Mason about: the MOD's involvement in opaque payments to benefit Saudi public officials on other defence contracts in Saudi Arabia, the use of MOD bank accounts to facilitate payments and the MOD's contractual arrangements with a company that was at the centre of the SFO's investigation.

However, the court was only required to look at the MOD's alleged involvement in corruption to the extent that it was relevant to the proceedings - and the individual defendants argued that the disclosure was inadequate and that the MOD misled the court about the existence of relevant material. An NAO investigation is now essential to establish the facts and shed light on what happened.

¹ Mr Justice Bryan (28 April 2021) approved sentencing remarks in *R v GPT Special Project Management Limited* para 173

We have summarised below some of the key issues emerging from these proceedings for your consideration. We enclose the following documents by way of additional background:²

1. Spotlight’s briefing about the Serious Fraud Office’s (SFO) case against GPT, Mr Cook and Mr Mason.
2. Spotlight’s briefing about what the government knew about corruption in UK-Saudi defence contracts.

SANGCOM project

Evidence given by some of the MOD witnesses during the trial indicates that the NAO has audited MOD bank accounts used for the SANGCOM project but not the contractual arrangements.

On 8 January 2024, a former Commercial Director General at the MOD, Andrew Manley, was taken to his note of a briefing in March 2011 about the SANGCOM contractual arrangements.³ Mr Manley’s record included a reference to *“the NAO, or NAO view”* but no further details were provided by Mr Manley about the NAO’s role or view on the SANGCOM arrangements.

Later in the trial, on 22 January, a former Business Manager of the MOD SANGCOM team, Peter Bush, was asked about his interview with the SFO in September 2011. Mr Bush had told the SFO that *“bought in services”* (BIS), the focus of their investigation, applied to all change proposals on SANGCOM. When the SFO asked if there was any audit of what that involved, Mr Bush responded, *“There isn’t, we wouldn’t. We haven’t in fact up to now audited at all.”* Mr Bush confirmed that ordinarily bits of work were audited by the MOD but this wasn’t, and that was decided at the inception of the project.⁴

On the same day, the court heard a witness statement from a former Senior Commercial Officer on the MOD SANGCOM project, Lee Toman. Mr Toman said he had raised concerns about BIS payments in 2008 with Mr Bush and the SANGCOM Projects Director, Colonel Jo Fletcher - and that he dropped his concerns after seeing a letter from the head of the Defence Export Services Organisation (DESO) clearly stating that these payments were, *“an acceptable element within the contract.”*⁵

Mr Toman said the NAO conducted *“some audits”* in Saudi Arabia which were facilitated by Mr Bush, and that Richard Moran, MOD Deputy Head of Commercial, was keen to ensure that the NAO had access to whatever they needed. Mr Toman’s understanding was that SANGCOM had both Saudi and UK bank accounts which were being reviewed and, *“The NAO were only interested in bank accounts. The NAO did not ask me about contractual document and I do not know the details or outcome of the audit.”*

MOD Saudi Armed Forces Project

The MOD Saudi Armed Forces Project (MODSAP) is responsible for overseeing and fulfilling other multi-billion-pound UK government defence projects in Saudi Arabia: the Saudi British Defence Cooperation Programme (SBDPCP, which replaced the Al Yamamah project in 2007) and Al Salam (the sale of 72 Typhoon aircraft). The primary contractor for both projects is BAE Systems.⁶

² Published on the Spotlight on Corruption [website](#)

³ Cross-examination of Andrew Manley on 8 January 2024 in *R v Jeffrey Cook and John Mason*

⁴ Cross-examination of Peter Bush on 22 January 2024 in *R v Jeffrey Cook and John Mason*

⁵ Witness statement of Lee Toman read to the court on 22 January 2024 in *R v Jeffrey Cook and John Mason*

⁶ BAE Systems [Fulfilling obligations under arrangements signed between the UK and Saudi Arabian Governments](#)

After the first trial of Mr Cook and Mr Mason collapsed in July 2022, significant information emerged about the UK's arrangements for making payments to benefit Saudi public officials on MODSAP.⁷ The evidence shows that "*new funding arrangements*" were in place on SBDCP from 2007 to 2011, after the SFO's investigation into suspected bribes on the Al Yamamah arms deal was shut down in 2006. These arrangements were signed by the Head of DESO following submissions to the Prime Minister.⁸

Under the new funding arrangements - described in more detail in Spotlight's enclosed briefing - money was transferred from a UK MOD-administered account with the Gulf International Bank to a Saudi Ministry of Defence and Aviation (MODA) "*operational fund*".⁹ The MOD had "*no visibility*" of what the fund was used for¹⁰ but knew it was used or likely to be used for the category of payments that had previously been under investigation by the SFO and had included payments for the personal benefit of Saudi officials.¹¹ This was characterised by Mr Cook's barrister, during a pre-trial hearing in October 2023, as a "*mule bank account*".¹² It also emerged that the government continued to authorise payments to maintain a jet for Saudi Prince Bandar until December 2007, a year after the SFO's investigation was stopped.

In October 2010, a senior MODSAP official recommended that the new funding arrangements continue for another five-year period, from January 2012 to 2017;¹³ and in April 2011, another senior official confirmed the MOD's willingness to extend the arrangements with the inclusion of the MODA "*operational fund*".¹⁴ The defence case was that these arrangements continued from 2012; the MOD recently told the Guardian newspaper that the arrangements did not continue beyond 2011.¹⁵

Similar funding arrangements appear to have been considered for the Al Salam project but with the difference that "*some of the support services provided under the project are provided by other companies,*" according to a note cited in a pre-trial ruling in the Cook and Mason proceedings.¹⁶

Project Arrow and the Harris Corporation

As Spotlight's briefing sets out in more detail, the evidence shows that the MOD engaged in contractual arrangements with a company that was central to the SFO's investigation into Mr Cook and Mr Mason.

In 2014, at the direction of Prince Mit'eb, then Minister of the Saudi National Guard and the largest beneficiary of the payments GPT pleaded guilty to making, the MOD gave a single-source contract on the SANGCOM project to Arab Builders for Telecommunications and Security Services (ABTSS). This was known as Project Arrow. ABTSS was named in the indictment as having channelled bribes to Saudi officials, and owned by the Fustok family, who were named as recipients of GPT's payments.

⁷ Mr Justice Picken (24 January 2024) abuse of process ruling in *R v Jeffrey Cook and John Mason* para 122

⁸ Ibid. para 132

⁹ Ibid. para 127

¹⁰ Ibid. para 188

¹¹ Ibid. para 132

¹² Tom Allen KC (16 October 2023) second abuse of process hearing in *R v Jeffrey Cook and John Mason*

¹³ Ibid. para 187

¹⁴ Ibid. para 220

¹⁵ Guardian (8 March 2024) [MoD paid millions into Saudi account amid BAE corruption scandal](#)

¹⁶ Mr Justice Picken (24 2024) abuse of process ruling in *R v Jeffrey Cook and John Mason* para 184

In 2013, at the request of the SANG, the UK government entered into a separate contract with the US-based Harris Corporation for work under SANGCOM. This was after Harris had told the MOD that it would be using ABTSS and had a longstanding arrangement to pay ABTSS commission payments that represented 15% of the contract value for ill-defined “soft services”.¹⁷ The defence argued that the MOD had also sought to rely on Harris’s purported due diligence on ABTSS as cover for utilising ABTSS.

Investigation by the NAO

It is of fundamental importance that the NAO undertakes and publishes an investigation into MOD bank accounts and contracting arrangements relating to Saudi Arabia from 2007, and the risks of corruption in those arrangements. This should include: the projects summarised in the enclosed briefing, any other government-to-government contracts between the UK and Saudi Arabia and any MOD accounts and contractual arrangements in Saudi Arabia involving ABTSS and the Fustok family, as well as establishing the MOD’s current policy for commissions and payments to agents, and examples of where that is applied.

An investigation is necessary to: establish the facts and provide targeted and timely findings about live issues of significant public interest and consequence that are being discussed in the media;¹⁸ inform public and parliamentary understanding about the issues left unresolved in court; add value to accountability and transparency over the use of public funds; and help the MOD to learn lessons.¹⁹

We note that section 6 of the National Audit Act 1983 enables you to carry out examinations into the economy, efficiency and effectiveness with which a department has used its resources in discharging its functions - and that reactive investigations are carried out pursuant to section 6; and that section 8 provides you with a right to access documents, and require an explanation from any person holding or accountable for such a document, for the purposes of an examination.

Section 17(1) of the Budget Responsibility and National Audit Act 2011 gives you complete discretion in carrying out your functions, including determining whether and how to carry out an examination under section 6 of the 1983 Act. Section 17(4) requires you to have regard to the standards and principles that an expert professional provider of accounting or auditing services would be expected to follow.

The decision by the Public Accounts Committee to not publish the NAO’s 1992 report about Al Yamamah has stifled public and parliamentary debate about the MOD’s role in the alleged corrupt scheme.²⁰ It is essential that this time there is transparency and accountability for the MOD’s activities. Indeed, the NAO’s report and related papers that were recently published by the Guardian - which indicate that the MOD misled the NAO and Public Accounts Committee by not revealing details of commission payments to Prince Bandar²¹ - underline the need for an investigation by the NAO and the public interest in that scrutiny.

We would be grateful if you could provide us with the information and documents requested below within 14 days of the date of this letter, on or before 9 April:

¹⁷ Ibid. para 249

¹⁸ See for example the Guardian’s series of reports on the [Saudi defence deal](#)

¹⁹ National Audit Office (2018) [Approach to investigations](#)

²⁰ Public Accounts Committee (30 June 2006) [NAO Memorandum -Saudi Arabian Air Force Project \(Al Yamamah\)](#)

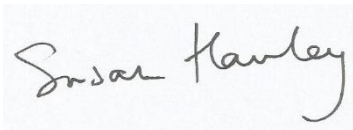
²¹ Guardian (24 March 2024) [Al-Yamamah arms deal report comes to light ending anti-corruption campaigners’ battle](#)

1. Confirmation that the NAO will undertake and publish an investigation into MOD bank accounts and contracting arrangements relating to Saudi Arabia from 2007, and the risks of corruption in those arrangements, in accordance with the investigation proposal set out above.
2. A full account of the NAO's audits on MOD projects in Saudi Arabia since 2007, including but not limited to the projects summarised in our enclosed briefing. Please include dates, project names, and the scope and outcome of each audit.

We have followed this case closely and could help scope the subject matter to provide a focus for your investigation, including identifying relevant officials to contact for information. To that end, we would be grateful for the opportunity of an initial meeting to discuss our investigation proposal.

We look forward to hearing from you.

Yours sincerely,



Susan Hawley
Executive Director
Spotlight on Corruption



Daniel Bruce
Chief Executive
Transparency International UK

Cc Lee Summerfield, Director of Investigations: [REDACTED]

Cc Joshua Reddaway, Director of Counter Fraud and Corruption: [REDACTED]