

*Local Gov*

Ref. A04936

PRIME MINISTER

Accounts Commission for Local Authority Audit: PAC Aspects

E(81) 59

## BACKGROUND

My brief of 12 May covers the memoranda by the Secretary of State for the Environment on possible measures for reforming the rating system (E(81) 53) and for setting up an Accounts Commission (E(81) 54).

2. A decision to establish an Accounts Commission would also be a decision to reject one of the main proposals in the Public Accounts Committee's (PAC) report of March 1981 on "The Role of the Comptroller and Auditor General", in which they recommended putting local government audit under the C and AG. The Chief Secretary to the Treasury, in E(81) 59, discusses briefly how best to minimise PAC criticisms if the Government were to announce on 2 June, in advance of a general response to the PAC's report, that the Accounts Commission is to be set up. He recommends that the Secretary of State for the Environment's statement should refer to the PAC's recommendations, and explain why they had been rejected and in advance of a full reply; and that a White Paper should be published at the same time giving a full reply to the PAC on the local authority audit issue. A draft of the latter is nearly ready and could be circulated quickly.

## HANDLING

3. This issue arises only if the Committee wishes to go ahead with the announcement of an Accounts Commission, and Cabinet approves the legislation that this would entail. You might invite the Chief Secretary, Treasury, to explain the position briefly when it arises in discussion.

4. I do not think that the Committee needs to look at this question in any detail. If the Accounts Commission is to go ahead, and the Chief Secretary's approach is generally endorsed, the details of what the Secretary of State for the Environment should say in his announcement and the drafting of the short White Paper can be dealt with separately.



## CONCLUSIONS

5. If, subject to Cabinet's agreement on the necessary legislation, the Committee endorses the proposed Accounts Commission, you might invite:
- a. The Secretary of State for the Environment to cover the reasons for rejecting the PAC's recommendations in his general statement on 2 June which he will need to clear with members of the Committee.
  - b. The Chief Secretary, Treasury, to circulate as soon as possible the draft White Paper to which he refers in paragraph 3(2) of E(81) 59.
6. You will recall that, on the assumption that the Committee is unlikely to cover all of the local authority papers before them at their meeting on 19 May, a further meeting has been arranged for 9.15 am on Thursday 21 May.

ROBERT ARMSTRONG

(approved by Sir R Armstrong  
and signed on his behalf)

18 May 1981