



SRWAMJ

10 DOWNING STREET

From the Private Secretary

17 December 1985

CIR REPORT

The Prime Minister was grateful for the Chief Secretary's and Mr. Luce's minutes covering the report on the first year's implementation of the Efficiency Unit CIR Report.

The Prime Minister was encouraged to see the evidence in the report that departments are beginning to use their central Consultancy Inspection and Review staff in a more coordinated way. But she is strongly of the view that considerably more real and sustained progress needs to be made in using these organisational changes to deliver the results identified in the original report.

The Prime Minister found it difficult to discover from the report precisely what will have been achieved by the end of the implementation period in December 1986. She would be grateful to have a note setting out the specific results which she can expect to see in a reasonable period and, in particular, what targets departments have for ensuring that by then their CIR staff will be used to help line management achieve results from increased delegation. She has suggested that this report should reach her by June next year.

I am copying this to Paul Thomas in Mr. Luce's office, to Michael Stark (in Sir Robert Armstrong's office) and to Sir Robin Ibbs.

GA
MARK ADDISON

Richard Broadbent, Esq.,
Chief Secretary's Office
HM Treasury.

B

PRIME MINISTER

CONSULTANCY, INSPECTION AND REVIEW SERVICES IN GOVERNMENT
DEPARTMENTS: IMPLEMENTATION REPORT

We attach a report by the Treasury/Cabinet Office Joint Management Unit on the Efficiency Unit's Consultancy, Inspection and Review (CIR) Services Report.

The Report describes some valuable work being done by departments in improving the coordination and organisation of their CIR services. This is aimed at ensuring that these services:

- (a) are responsive to the needs of line managers in controlling resources and achieving better value for money, and
- (b) provide a service to top management by way of quality assurance and in investigating particular matters which give them cause for concern.

Departments are less advanced in the transition to resource control by budget, on which most of the CIR Report is based. This is a more ambitious undertaking and although all departments have made a start many are still at the early stages. More work needs to be done in this area and the current review of budgeting systems by the Head of the Government Accountancy Service should lead to useful progress.

The Report also makes proposals for improved coordination of the central CIR services. This is in response to Recommendation 7 of the CIR Report which said that the organisation and roles of the central CIR services should be reviewed. The JMU are not recommending organisational change but concentrate instead on improved arrangements for coordination and liaison.

We are glad to report that we can accept the action for the central departments recommended in paragraph 1.13. Action is already in hand to improve the coordination of the central CIR services; and one of the first topics to be considered will be the implications of the move towards running costs control for the work of the CIR services. The Treasury agree with the proposal to increase further the flexibility given to departments in the use of Staff Inspection, when the staff inspection guidance is next revised. The Treasury's intention is to produce the revised guidance in 1987, taking account of developments in departments between now and then. The PAC will be keenly interested in any changes to the existing Treasury guidance.

A further report on progress will be made next year, focussing on the points covered in paragraph 1.12 of the Report. It will be particularly important to gauge whether the action Departments have taken is effective in improving the contribution made by CIR services.

Copies of this go to all Ministers in charge of Departments, and to Sir Robin Ibbs.

John Macgregor
Richard Luce

JOHN MACGREGOR
Chief Secretary to the
Treasury

RICHARD LUCE
Minister of State,
Privy Council Office

20 December 1985



FROM: CHIEF SECRETARY

DATE: 2nd December 1985

PRIME MINISTER

CONSULTANCY, INSPECTION AND REVIEW (CIR)
 SERVICES IN GOVERNMENT DEPARTMENTS: IMPLEMENTATION REPORT

Richard Luce and I have sent you today a report on the implementation of the CIR Review. I would like to add two points which I personally feel strongly about.

2 First, this exercise has made a start in showing how CIR services can be made more directly relevant to line managers. The essential thing now is to get it working in practice. Six monthly reviews of the impact on Departments are proposed. I want to make sure that we are getting practical results reflected in the performance of line management on the ground.

3 Second, paragraph 3 of the covering minute to the report refers to progress in the transition to resource control by budget where much remains to be done. I think this is an absolutely key area. Almost everything else in this field depends on getting budgetary control methods understood and put into practice. ~~There is a review of budgetary systems under way and Robin Ibbs and I are going to hear first hand about some of the results next week.~~ This is an area which I intend to focus on sharply in the coming months.

4 I am copying this minute to Richard Luce and to Sir Robin Ibbs.

JOHN MacGREGOR

A

CONSULTANCY, INSPECTION AND REVIEW SERVICES IN GOVERNMENT DEPARTMENTS

**First Report by the Joint Management Unit
on the Implementation of the
Efficiency Unit's Report**

October 1985

CONSULTANCY, INSPECTION AND REVIEW
SERVICES IN GOVERNMENT DEPARTMENTS

IMPLEMENTATION REPORT BY THE
JOINT MANAGEMENT UNIT

OCTOBER 1985

CONSULTANCY, INSPECTION AND REVIEW SERVICES
IMPLEMENTATION REPORT

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REPORT TO MINISTERS ON DEPARTMENTAL PROGRESS IN IMPLEMENTING THE
RECOMMENDATIONS OF THE CONSULTANCY, INSPECTION, AND REVIEW SERVICES
REPORT

CHAPTER 1

Introduction

1.1 The Efficiency Unit published their report on Consultancy, Inspection and Review (CIR) Services in Government Departments on 5 December 1984.

1.2 The report was approved by the Prime Minister; and Sir Robert Armstrong and Sir Peter Middleton wrote to departments on the day of publication seeking action plans on the report's recommendations within 6 months.

1.3 The Treasury/Cabinet Office Joint Management Unit (JMU) were asked to help departments plan and implement their responses to the report's recommendations. All departments have now responded; the JMU has discussed the response with each department, and the 2nd Permanent Secretaries of the Treasury and the Cabinet Office (MPO) have written to departments outlining their view of the response and indicating the areas which they hope to see covered in a further progress report next year.

1.4 The JMU were also asked to make a report to Ministers by October 1985 on departments' progress; and to review the organisation and roles of the CIR services in the central departments and to make recommendations to Ministers on their future organisation by the same date. This report fulfils these two remits.

Chapter 2 deals with Departments' action plans and considers what further progress might be expected between now and October 1986 when a second progress report is to be made to Ministers.

Chapter 3 deals with the organisation and roles of CIR services in the central departments.

Summary of Where We Are Now

1.5 The report was a wide-ranging one. It looked at the work of the CIR services (primarily staff inspection, management services, internal audit, and computer services) in the context of the changes which are being implemented under the Financial Management Initiative. Its central proposition was that under the FMI it is the line manager who has the primary responsibility for achieving value for money; and that top management's control over the line management should be exercised through the budgetary process. The CIR services, argued the report, should be used as a consultancy service for line management and should be judged by how far they have helped line management improve its performance; top management should also use CIR to look at problem areas of wide significance, and to sample the position on particular management issues; and the services should be grouped together and work in a co-ordinated and cohesive way.

1.6 Central to this line of argument is that departments must have a robust system of setting, monitoring and controlling line managers' budgets and their performance against targets. This is now being reviewed in depth in a multi-department review (MDR) of Budgetary Control led by the Head of the Government Accountancy Service.

1.7 The area in which most departments have made progress is in the organisation and co-ordination of the CIR services themselves. All departments have re-examined their organisational arrangements and many have changed them to improve their co-ordination. Departments are arranging for work programmes to be looked at together; many report that the programmes are now being submitted for approval by top management; there are encouraging signs of the beginning of multi-disciplinary working.

1.8 Departments are less advanced in the transition to resource control by budget, on which much of the CIR report's argument is based. All departments have started on the process of delegating budgets; but many are still at the early stages. All plan to move further; but very few of them expect to have gone over to a fully budget-based system of control within the next two years. There is some doubt whether, particularly in headquarters areas, it will ever be possible to rely totally on the budgetary system as the means of challenging line management (a point on which further guidance will be given in the MDR of Budgetary Control). What all this implies is that, for some time at least, the CIR services will be needed by departments as a regular instrument of top management control to a rather greater extent than the CIR report envisaged.

1.9 This is particularly relevant in the case of staff inspection. The Treasury paper issued shortly after the CIR report gave some extra flexibility to departments in the way they deployed staff inspection effort. Some departments consider that they now have enough discretion for practical purposes. Others would prefer more. Given the current and prospective progress on budgetary control systems, it is clear that staff inspection will remain a necessary tool of top management for some years yet. Furthermore, judging from results we would see no good reason to argue at present for a reduction in the total amount of staff inspection in departments: indeed some should do more. Nevertheless there is scope to give top managers of departments full responsibility for deploying their staff inspectors' effort as they judge best within that total.

1.10 There is widespread acceptance of the supporting recommendations in the report, concerning the role of internal audit; career planning for the CIR services; and the need to quantify the costs and benefits of CIR assignments, though this last is by no means easy and departments still have much work to do.

1.11 The JMU was also asked to review the organisation and roles of the central CIR services to ensure that they are able to reflect developments in departments. The role of the central CIR services

is different from that of their departmental counterparts; in particular, they are responsible for monitoring CIR activities in departments and for providing professional guidance and leadership. The organisation of departmental CIR is not necessarily the right answer for central CIR. The existing organisation, however, is by no means ideal, with the CIR services split between two departments and five Grade 3 or above commands. Reorganising the CIR services at the centre would have repercussions on the organisation of both departments which would be well beyond the scope of this report. But when next the organisation of the two central departments is under review, it would be desirable to reduce so far as possible the number of separate CIR commands. Meanwhile, despite this handicap, the services manage a good deal of co-operation, including some multi-disciplinary working. Matters have further improved with new arrangements under which the expenditure divisions are to hold twice yearly meetings of all central intervention staffs dealing with a single department. What is not yet in place is a satisfactory way for the top management of the central departments to direct and focus the totality of central CIR effort on the subjects they consider important. We are proposing arrangements for the central CIR services to meet twice yearly to discuss their programmes and for the programmes to be submitted to the top management of the two departments for them to approve and to consider broader issues (such as the scale of resources, the balance between the different specialisms and training) affecting the CIR services.

What remains to be done

1.12 By Departments

(Recommendation 1)

(i) continuing to put across the message that line managers are responsible for value for money and where possible, monitoring the results;

(ii) continuing to delegate authority from finance and establishment divisions to line management and then down the line management chain, taking account of the recommendations of the MDR on Budgetary Control;

(iii) monitoring how far line managers take the initiative in seeking CIR assistance;

(iv) further work on measuring the cost effectiveness of CIR staff.

(Recommendation 2 and 6)

(v) monitoring the effects of changes in organisation, in working methods including multi-disciplinary working, and in co-ordination arrangements on top management's ability to direct CIR services and on the results achieved by CIR staff.

{Recommendation 3}

(vi) monitoring the extent and effects of joint working involving internal audit.

{Recommendation 4}

(vii) monitoring the duration of postings in CIR services.

{Recommendation 5}

(viii) using their CIR staff to pass on relevant skills to line managers.

We will seek further reports from departments by June 1986 on what has been done and with what results.

1.13 By the central departments

{Recommendation 6}

(i) when revising the guidelines for staff inspection, incorporate in them full responsibility for top management of departments to deploy their staff inspection effort as they judge best, while delivering the recommended volume.

{Recommendation 7}

(ii) improve the arrangements for co-ordinating and focussing the efforts of the central CIR services.

1.14 By the Joint Management Unit

(i) continue to work with departments on implementation of the CIR report;

(ii) disseminate examples of good practice, particularly in work done by departments on performance measures for CIR staff;

(iii) report again in October 1986 on progress and results achieved by departments and by the centre.

CHAPTER 2 DEPARTMENTAL RESPONSES

2.1 Annex A sets out in tabular form departments' action plans for each of the report's six recommendations about the organisation and roles of their internal CIR services. (The seventh recommendation on the role of central CIR is covered in Chapter 3.) This chapter sets out the overall picture of departments' responses to each of the recommendations.

RECOMMENDATION 1

"Ministers in charge of departments with their Permanent Secretaries should ensure that line managers throughout their department understand that:

- (a) the primary responsibility for resource management and control and for achieving improvements in value for money lies with line managers;
- (b) the cycle of budget and target setting and review through the year will become the main method of monitoring, assessing and controlling line management's performance;
- (c) line managers will be given the authority they need to discharge their responsibilities, in the expectation that their activities may be audited but that the control mechanism is the budget;
- (d) there will be arrangements for line managers to be helped by specialists, within their own organisation, or within the department, or from outside;
- (e) CIR staff (except for Internal Audit) will be accountable primarily for how far they have helped line management improve its performance."

2.2 This recommendation propounds messages fundamental to the approach to management encouraged by the PMI. It assumes the existence of fully developed systems of line management budgeting, control and assessment; the wide variety of responses to it reflects the progress departments have made in developing their management systems. Most departments are still some way from realising the model system postulated in the recommendation, although most have made good progress. Some departments have expressed doubt whether, given the intangible nature of their output, they will ever be able to rely primarily on the process of budget-setting and review as the method of monitoring line management's performance.

2.3 Taking each part of the recommendation in turn:-

- (a) Departments recognise that this message is central to the PMI and is implicit in the management changes they have already effected and those planned for the future. Some have relied on the introduction of budgetary control and management information systems with the accompanying guidance to get the message across. Other departments have gone further. The Home Office have issued a "Guide to Line Managers" stressing among other things their role in achieving

value for money and the Inland Revenue had a similar objective for an issue of their Chairman's Newsletter. The Paymaster General's Office (PGO) issued the pamphlet "Helping Managers Manage" to Senior Executive Officers (SEOs) and above and other departments also used this document produced by the Efficiency Unit. Departments make a point of reinforcing the message at seminars and training courses. About a quarter of departments, mainly the smaller ones, appeared reluctant to state this message explicitly.

(b+c) Most departments have given a combined response to these related recommendations. It is these recommendations which look forward to a model PMI system and departments' responses reflect the progress they have made and the prospects for the future. Many departments have made encouraging progress. For example, in the Department of Employment budgeting provides a basis for top management review and target setting and is the main means of monitoring, planning and controlling expenditure. They have also made substantial progress in delegating responsibility for personnel management and expenditure.

Most departments report progress on "monitoring and control by target setting and review". This is generally through their management information systems rather than through budgetary control. Although most departments have some sort of management information system in place, this is not always linked to their budgetary control systems. In some departments the latter is at the early developmental stage of identifying resource cost centres. The Efficiency Unit's scrutiny of value for money targets will show how departments are developing and using targets to improve performance.

Departments are all in the course of devolving authority for resource control. For example, in the Ministry of Defence (MOD), Staff Responsibility Budget holders have complementing authority up to SEO level; in the Department of Health and Social Security (DHSS), local office managers are budget holders for non manpower costs and in some cases have delegated complementing authority; in the Department of Trade and Industry (DTI), Deputy Secretaries will have delegated complementing authority up to SEO level by 1 April 1986; other departments had undertaken such delegations some time ago. Departments are generally committed to further devolution of authority.

(d) Several departments have now taken steps to ensure that their line managers are more aware of the availability of CIR services; and some have streamlined the procedures by which appeals for assistance were handled. For example, the Inland Revenue are issuing a pamphlet to line managers on the availability of CIR services and are encouraging their new Budgetary Liaison Officers to ensure that line managers are aware of what help is available. The Home Office are also issuing a guide on the use of outside consultants. The Property Services Agency (PSA) have accepted in principle the recommendation of their internal CIR report which proposed that a specified HQ unit should receive line management's proposals for assignments to assess the skills and disciplines required, the problem's priority and the length of

assignments to assess the skills and disciplines required, the problem's priority and the length of assignment justified. About a half of all departments are issuing some form of guidance on CIR availability while three are strengthening their CIR forces.

(e) A number of departments found this recommendation difficult to interpret; two of them pointed out that it was line management's responsibility to implement recommendations arising from CIR work and that CIR staff could not be held directly accountable for how line management improved their performance. We understand, however, that the authors of the CIR report had in mind a narrower definition of accountability. The point of the recommendation was that CIR staff should quantify the cost of an assignment and the benefits arising from their recommendations and should obtain line management's agreement to their quantification of benefits. Most departments attempt to quantify the benefits of at least some CIR work and some of them are doing further work to improve their methods of measurement. One quarter do not appear to have systematic measures of CIR contributions to performance improvement but accept the recommendation.

An essential, but in some ways the most difficult, element of the recommendation is that there needs to be an authoritative view of the actual (not just the claimed) results of an assignment. This implies either that line management and the CIR staff must agree on the results or that, if they cannot, the disagreement has to be referred up and resolved. There also needs to be some subsequent evaluation of whether the expected results of the assignment occurred in practice, and what were the effects on overall performance. The Departments of the Environment and Transport (DOE/DTP) do this by reviewing the outcome of Organisation and Methods (O&M) assignments one year after the report was made. Staff Inspection and Evaluation Division (SIED) in the Treasury are working to produce better performance indicators for staff inspection; and the Management and Efficiency Group (ME) in the Management and Personnel Office (MPO) are working similarly on performance indicators for management services.

Meanwhile, some departments are doing further work. Examples are:-

- DTI are undertaking a department-wide review of performance measures: this will include CIR forces;
- in common with other areas, CIR services are being set performance targets by Central Office of Information (COI);
- Management Services Unit in Customs and Excise has in hand a study of its performance measures;
- DHSS are exploring the feasibility of a common methodology for determining the cost effectiveness

Further Progress to be sought by October 1986

2.4(a) There is evidence (see for example, the report of Phase I of the MDR on Budgetary Control) that delegating budgets of itself induces greater cost consciousness on the part of managers. Departments' reports of their progress in delegating budgets are therefore encouraging. If, however, departments rely entirely on the introduction and operation of FMI systems to insill the need for line managers to take responsibility for seeking value for money, they may not get the best results. Changes in attitude are as important as a change in systems and system change alone may not effect the change in attitude. We should seek to establish by next year that departments have put this message across directly as well as through the change in systems and with what results.

(b/c) The current MDR of Budgetary Control being carried out by the Head of the Government Accountancy Service should point the way forward on these recommendations. We shall need to await the final report before pressing departments for further progress; mainly because it is likely to give guidance on how far down the management chain it is sensible to delegate. However, most departments will probably find that there is further progress to make, at a rate which takes into account their individual circumstances; some of them are still some way from having a system of resource control by budget.

(d) Departments should monitor the extent to which line managers have availed themselves of assistance in those departments which have undertaken to advertise CIR availability.

(e) We shall monitor the experience of those departments undertaking further work on measuring the cost effectiveness of CIR staff, with a view to disseminating any general lessons which emerge.

RECOMMENDATION 2

***Ministers should seek proposals from their Permanent Secretaries, within the next six months, for action to re-organise their CIR services. Options to be considered should include:**

(a) regrouping the existing specialists to create a multi-disciplinary management support group, including staff inspection, management services, operational research and computer experts, and with access to other specialists; this support group should provide expert advice to both line management and to the top management group;

(b) developing a small top management secretariat which works directly for the senior management group and can co-ordinate the investigations and scrutinies commissioned or authorised by that group. The secretariat should draw on whatever source of expertise, within or outside the department, is most appropriate for the work it commissions.

2.5 The CIR report recognised that detailed organisational structures could not be set from the centre. In recommending the consideration of options to form a multi-disciplinary management

support group or of a top management secretariat in respect of CIR services, it acknowledged that departments should design structures to suit their particular circumstances. Not all Departments have felt the need to carry out major organisational restructuring in response to this recommendation but many have taken positive steps to improve the joint working and co-ordination of CIR services.

2.6 All departments have re-examined the organisation of their CIR services. Most or all of the main services (staff inspection, management services, computer services, and Operational Research (OR) are already brigaded together in some departments, such as the MOD, Health and Safety Executive, Department of Energy, Inland Revenue, and Customs and Excise. Several other departments have re-organised their services. The DHSS has brought together its main management services, the staff inspectors and its Efficiency Unit. A few small departments (for example the PGO and the Royal Mint) consider that their small size makes it unnecessary to re-organise because the benefits which are expected to flow from brigading the services together (co-ordinated planning, co-operation on assignments) exist under the present organisation through the frequent contacts between the few staff involved.

2.7 Few departments included in their CIR reviews the role in departmental management of the more strongly programme-expenditure-oriented specialist services, such as those of economists, statisticians and research officers. These specialisms contribute in some departments to aspects of internal management support, and some CIR services, such as OR, are in some departments brigaded with them, but practice varies widely between departments.

2.8 Some departments (such as the MOD) already have a unit which acts as a top management secretariat in respect of CIR services in the way described in the report. The PSA has augmented the role of its existing secretariat to encompass the role recommended in the CIR report. Some small departments, including Her Majesty's Stationery Office (HMSO) and the Ordnance Survey, argue that they do not need a top management secretariat. Overall about 85% of departments have brigaded or mostly brigaded their CIR services and about a third of them are taking extra measures to improve co-ordination. About a third of departments have a top management secretariat to deal with CIR matters. A small number of departments felt that the recommendation had little to offer them and they have not taken any action to meet it.

2.9 Whatever their organisational arrangements, departments are attempting to co-ordinate CIR activity and to carry out multi-disciplinary working where appropriate. For example, the Department of Employment CIR Co-ordinating Committee takes an overview of work programmes, presents a co-ordinated annual programme to top management, reviews proposals for the use of outside consultants and assesses the need for multi-disciplinary working. The MOD has a technique of Management Audit which entails a multi-disciplinary approach to studies: one recent example used staff from management services, Internal Audit, staff inspectors and outside consultants. The Inland Revenue investigate specific management problems in the round through Operational Reviews which

are carried out by specially assembled multi-disciplinary teams. Review work in DRI is typically multi-disciplinary, for example efficiency scrutiny or staff inspection working in harness with O&M and OR.

Further Progress to be sought by 1986

2.10 For next year's report, we ought to find out the effects of the changes in organisation (in those cases where there have been changes) and of the arrangements for co-ordinating and bringing together the work of CIR staff. In particular, we should check with Departments on the extent of multi-disciplinary working and how successful it has been; whether departments believe the balance of resources between the services is right; and on departments' views on whether CIR work is now more effectively planned, and on how far it reflects top management concerns. If, as we expect, the indications are that closer co-operation, co-ordinated planning and multi-disciplinary working are easier to achieve and yield greater benefits than under the previous structures, we shall discuss the matter again with those few departments which have taken no action in respect of this recommendation.

RECOMMENDATION 3

"Internal audit should be maintained as an independent function, but internal auditors should work in close co-operation with the management support group. How best to organise this co-operation will vary from department to department. Hitherto a majority of departments have emphasised the independence of internal audit by keeping a separate unit. That has obvious merit, provided that co-ordination with work to improve value for money is satisfactory and there are no artificial barriers which hinder joint working with other services where this is appropriate. On the other hand, departments should be free to group internal audit with other functions where the Accounting Officer is satisfied that there are advantages in this and that the independence and central standards of internal audit will be maintained. These organisational arrangements should be further reviewed in three years time."

2.11 The essence of this recommendation was that internal audit, while maintaining its necessary independence, should work closely with other CIR forces. This causes little problem for departments: they all agree with the need to maintain the independence of audit whilst encouraging co-operation. Many departments, for example the Department of Energy, group internal audit with other CIR services but keep it as a separate unit with a right of access to the accounting officer.

2.12 Many departments propose the establishment of better co-ordination between internal audit and other CIR services, normally through the general arrangements for CIR services under Recommendation 2. Where internal audit is separate from the main CIR group, departments have made a special effort to improve co-ordination, as in the Welsh Office and DTI where prospective work programmes and reports are exchanged. Predictably it was often the larger departments who saw the greatest need for closer liaison.

2.13 The Head of the Government Accountancy Service has welcomed the idea of joint working. He has commented: "Participation in such reviews would have a twofold benefit; it will help to develop and widen the experience and skills of the individual internal auditors concerned with them, as well as bringing to bear the specific internal audit skills in the area of appraisal of internal control. This co-operation must be arranged so that the objectivity of the internal audit unit is not prejudiced and it is therefore still free to appraise properly any work done by the team of which it is a part".

2.14 We have been given examples of joint working between internal audit and CIR forces; for example, in the Manpower Services Commission Internal Audit has carried out reviews with Staff Inspectors. Generally however, joint working involving audit is not as common as that involving other CIR forces.

Further Progress to be sought by October 1986

2.15 The report recommends that the organisational arrangements for internal audit should be further reviewed in three years time (ie at the beginning of 1988). For next year, it will be useful to check with departments on the extent of joint working, and on the arrangements this has involved to maintain the independence of audit.

RECOMMENDATION 4

"Career planning for internal audit and management support staff, outside the functional specialisms, should aim to ensure that spells of continuous service are no more than five years, and that senior staff have real line management experience in addition to experience in their specialism."

2.16 Departments are aware of the need to make sure that people working in non-specialist CIR functions do not spend too long in one posting and that they should have a proper balance of experience of CIR work, training and line management. The DHSS are carrying out a study of the quality and balance of skills needed by CIR staff and aim to produce plans for improvement to be sent to Ministers by early 1986. Departments generally consider that five years is a sensible upper limit to the amount of time spent in continuous service in a CIR post although many make the point that it cannot be a rigid limit. Inland Revenue, like others, wish to maintain flexibility where extensive or expensive training is involved and the Intervention Board for Agricultural Produce point out that the small size of their department limits their flexibility in moving people as frequently as larger departments.

2.17 Most departments find that in practice their problem is in attracting and retaining staff in the CIR services rather than in moving them out. These departments have not, therefore, needed to take any action to meet this recommendation; but they have found it useful to have the need to monitor length of postings highlighted. Examples of specific action are the Cabinet Office, who intend to draw up career development plans for CIR staff and

to consider their general training needs, and the Department for National Savings who propose to monitor the duration of postings in CIR work.

Further Progress to be sought by October 1986

2.18 The main points to check next year on this recommendation are that departments are aware of the duration of postings in their CIR services, and that in practice postings do not normally exceed approximately five years.

RECOMMENDATION 5

"For the next two years at least, the principal task of the management support group should be to handle the difficult period of change to resource control by budget. They will need to work directly with line managers and with training divisions to ensure that line managers have the resource control systems and the skills that they will need. Once the new budget structure is in place, the management support group should have the resources to develop as an expert advisory service for line management."

2.19 Departments initially had difficulty in interpreting this recommendation. While they realised the strategic importance of managing the period of change to resource control by budget they saw this as being the primary duty of their finance division or of their FMI team. On the whole, they agreed, either in their written responses or in subsequent discussion with the JMU, that CIR forces would have an important role to play in helping facilitate the change. However, DHSS and DTI, among others, stress that CIR forces will also continue to have a significant workload of more general tasks and normal assignments. Of the departments who had not fully developed resource control by budget (some quasi commercial departments have operated under such a system for some time), about three quarters stressed the role of the finance divisions, FMI teams and management support group. Of the remainder, most said their management support groups were in the lead.

2.20 We interpret the recommendation "that CIR forces should work directly with line managers and training divisions to ensure that line managers have the resource control systems and the skills they need" to mean that, as budgetary control develops, there will be an increasing need for line managers to acquire some of the skills traditionally associated with management services, management accountants and staff inspection. This might include employing Management Services people and Management Accountants as part of the line command. These groups might usefully try to pass on to line managers some of their own skills and methods of approach. The latter possibility was a fairly new idea to most departments, perhaps in many cases because budgetary control has not yet developed sufficiently to make the demand apparent. Some departments have made progress. The DHSS already have short training courses on "do-it-yourself" CIR and they intend to introduce a similar element into their management training courses. Inland Revenue have developed a Technical Resource Allocation Guide which

sets out for line managers the workload factors for types of work done by Inspectors of Taxes. In the Office of Population Censuses and Surveys (OPCS), Management Services have attempted to pass on some of their skills in the course of their assignments; and as in other departments senior line managers hold copies of Treasury Grading Guidance. All departments cover basic resource management in training courses.

2.21 Those departments which have commented on the recommendation "that once the new budget structure is in place, the management support group should have the resources to develop as an expert advisory service to line management" say that this is essentially what happens now. In some cases they foresee the demand by line managers for advice increasing as budgetary control develops. The Home Office, for example, expects an increasing demand for CIR consultancy, although they stress the need to ensure that their CIR forces are adequately trained to respond. Similarly, the Treasury expect CIR consultancy to adapt itself to the demand of line managers as budgetary control develops. Other departments take a similar view.

Further Progress to be sought by October 1986

2.22 Taking the recommendation as a whole, the most important issue is that departments press ahead with the development of resource control by budget. It is up to departments to make progress in the way best suited to them drawing upon whatever advice from the centre or outside that they find useful. The results of the MDR of Budgetary Control should provide some useful pointers. CIR forces can help them and perhaps one of the most useful ways is by helping to pass on relevant skills to line managers at an appropriate stage. Next year we should check that departments have considered this in combination with the results of the MDR and have made appropriate plans.

RECOMMENDATION 6

"Work programmes for the services covered by this report should be approved by the senior management group. Investigations sponsored by senior management itself should concentrate on problem areas of wide significance. Although from time to time the senior management group may want to sample the position on a particular management issue, for example grading standards in one organisation of the department, it should not use its assignment staff for detailed second-guessing. These issues should be resolved as part of the budget-setting process and the responsibility for putting any deficiencies right should lie within the line."

2.23 There are two elements to this recommendation. Firstly, approval of CIR programmes by senior management. Ninety percent of departments accepted this, although some feel it is less appropriate to approve the work programmes of consultancy forces such as OR and O&M than inspection forces, as the former's work programme has to remain flexible to cope with the demand from customers. The DOE argues this although they are aware that their top management need to be able to indicate priority areas for consultancy. They are considering this further. Similarly the DTP only approve annual work programmes for inspection services, such as Internal

Audit and Staff Inspection, but they are considering ways of systematically reviewing their consultancy capability and how it was used by line managers.

2.24 Several departments have extended their senior management approval arrangements in response to the report. The Welsh Office are now proposing that their top management approve Management Services plans as well as Staff Inspection plans, and the COI intend to approve plans six monthly instead of annually. Some departments, for example the OPCS and HMSO have arranged for the approval of Information Technology strategies by a separate senior management group.

2.25 Secondly, the report also recommended that top management CIR services look at problem areas of wide significance and should not be used for second guessing. Those departments which commented accepted the recommendation; but there has been very little substantive comment on the point. One reason may be that the departments are awaiting further guidance on the relationship between the CIR recommendation and the Treasury guidance on staff inspection.

2.26 We have discussed the question of staff inspection further with the Treasury. The central issue is how far, and how soon, we shall be able to rely on the cycle of budget and target setting, and review through the year to become the main method of monitoring, assessing and controlling line management's performance. It seems clear that most departments have a long way to go before Ministers can be confident that budgetary control systems can bear the weight of being the main mechanism of managing the department. A key message of the MDR of Budgetary Control is likely to be that a further substantial amount of effort is needed by departments in order to achieve a fully articulated budgetary control system. For planning purposes, however, we might take a working assumption that budgetary control systems will have made substantial progress by 1988, and consider the future role of staff inspection against that background.

2.27 The Treasury issued guidance earlier this year to departments which introduced substantially more flexibility into the method of use of staff inspection. Given the present state of development of budgetary control, this guidance recognises the different stages that departments have reached, and may well give the more advanced departments much of the flexibility that they need for quite a time to come.

2.28 For the longer term, however, it would be desirable, and should be possible, to build yet more flexibility into the guidance while still preserving the concept of regulating grading standards and numbers through the Civil Service (regulating grading being essential for the purposes of central pay negotiations based on a common grading structure). The Treasury agree that their longer term aim will be to place on the head of the Department as Accounting Officer the responsibility of assuring himself, his Minister, the Treasury and Parliament that he has satisfactory control over numbers and grading throughout his department. Against that background, staff inspection will then be used in the following ways:-

i. by top managers to look at whatever areas or functions need to be reviewed in the judgement of top management;

ii. by line managers, to help them seek value for money in their staffing arrangements;

iii. by the Treasury which will retain its right of audit of the department's control of numbers and grading by sending in Treasury Staff Inspectors either as members of or to lead a team in any area of the department's work.

2.29 The aim will be to deliver a total amount of staff inspection at least as great as that indicated by the current guideline; to achieve this departments will need to take appropriate action, including maintaining their staff inspection complements at their current strength, and setting targets which ensure that no fewer posts are inspected each year on average than is consistent with the guideline. The aim will, however, be to give top management of departments full responsibility for determining the direction of staff inspection effort, subject only to the Treasury's right of access for its own staff inspectors.

Further Progress to be sought by October 1986

2.30 The most important progress which should be sought from departments is on top management using CIR services. The improved ability to co-ordinate CIR should give senior management a greater ability to direct CIR services in order to reflect their concerns more closely, but we ought to check with departments whether they have achieved better co-ordination and direction. From the Treasury, the action needed is the further revision of the Staff Inspection Guidelines.

CHAPTER 3 Central CIR Services

RECOMMENDATION 7

"Treasury Ministers and the Minister of State (Privy Council Office) should jointly ensure that their departments:

.....

(b) review by 31 December 1984 the organisation and roles of their central CIR services to ensure that they are able to reflect developments in departments and, in particular, development of the multi-disciplinary approach recommended for departmental management support units; this will include their role in training, practical support and co-ordination, monitoring effectiveness and participation in individual assignments."

General

3.1 First, what is meant by "the central CIR services"? For present purposes we take it as meaning those activities of central departments providing a direct consultancy/inspection/reviewing function to or in other departments, or providing guidance to a network of specialists/professionals in departments, in relation to the internal management of those departments' own resources.

3.2 This includes part of the work of Treasury expenditure divisions, Personnel Management (PM) Division in MPO, and of all the Treasury's and MPO's supporting specialists. However the main focus of this report is on those parts of the central departments which are wholly or mainly dedicated to CIR work. In the Treasury this is mainly Staff Inspection, Management Accountancy, part of Central Computer and Telecommunications Agency (CCTRA), and Internal Audit, although some CIR services are provided by other divisions such as Operational Research and Public Services Economics and, occasionally, Financial Management Division and the JMU. Within the MPO the main CIR services are in the Management and Efficiency Divisions, but there are others, for example the Job Satisfaction Team in the PM Group. The Efficiency Unit is not part of the two central departments; but it too is heavily involved in value for money reviewing.

Role of Central CIR

3.3 The primary function of the central CIR services is to support the Treasury and the Cabinet Office (MPO) in discharging their general responsibilities for controlling public expenditure and for Civil Service management. Along with other specialists, such as the economists and statisticians, they provide advice to expenditure divisions to assist them in their scrutiny of departments' plans and performance.

In addition, they

(a) carry out specific assignments in departments (SIED, ME2(C);

(b) set standards (for example, for Internal Audit and the grading of staff) and monitoring their observance by departments (Internal Audit Development Branch (IADB), ME2(C), SIED);

(c) conduct or lead service-wide reviews of specific functions (ME1, ME2(C), Accountancy and Financial Audit (AFA)); and

(d) disseminate guidance on good management practices to departments (all services);

(e) provide consultancy advice to departments (for example, CCTA on the application of information technology, Management Accounting Advisory Branch on management accountancy, ME2(C) on Information Management and a range of management subjects.) A certain amount of CIR work is also undertaken directly on behalf of small departments which do not command the requisite skills within their own resources.

A fuller note on the main central CIR services is attached at Annex B.

3.4 As paragraph 3.3 shows, the central CIR forces have a wider range of responsibilities and tasks than departmental CIR. Their extra duties with respect to departments' internal management include the leadership role taken in organising and managing inter-departmental studies and in seeking widespread application of the findings; the development of policy; and the professional leadership role with regard to standards and training.

3.5 These wider responsibilities apart, some of the work of the central CIR services can be compared with that of CIR services within departments. For example the role of helping the Treasury and Cabinet Office (MPO) to discharge its general responsibilities for controlling public expenditure and for Civil Service management and efficiency can be compared with help for top management. The consultancy advice functions may be considered to be equivalent to department CIR help to line managers. In practice, the line between inspection and consultancy is sometimes blurred, as for example when a CIR body offers a department consultancy in support of a central initiative. There is, however, a clearer similarity between departmental CIR and the limited assistance provided by central CIR to departments which are too small to maintain their own expertise.

3.6 The variety of tasks being carried out by the CIR services can open up the danger of a department's being unclear about the basis on which a service is being offered or provided. The CIR services recognise the potential problem. Where the central CIR staffs are invited to help in a purely consultative capacity, or directly with departments to develop professional practice, it will be understood that reports produced are the property of the department and should not normally be passed to the treasury expenditure division without the consent of the department. Similar confidentiality would be accorded by IADB to information acquired indirectly, for example when examining internal audit documentation.

Organisation of CIR services

3.7 The central CIR services are split between the Treasury and the Cabinet Office (MPO) and, within the Treasury, between several commands. Staff inspection, management services, CCTA, OR, management accountability, and internal audit are spread across five reporting lines to Under Secretary or above. An obvious question is whether that organisation is the best that can be achieved, particularly given the thrust in departments towards brigading the main CIR services together.

3.8 There are various possible ways of reordering the organisation. One possibility would be to put all the services in one or other of the Treasury or the Cabinet Office (MPO). This would no doubt ease the problem of co-ordinating the efforts of the services, though it would not of itself solve it, and could create other co-ordination problems. It would in any case have repercussions on the organisation of the two departments, which would be well beyond the scope of this report.

3.9 Putting all the services in one department would in any case not solve the co-ordination problem completely. In order to do that, the services would all need to report through a single reporting line; and, because of the staff numbers and variety of tasks involved, it would be a large and cumbersome command. It would also fail to take account of an essential feature of the central services: that they are not only providing CIR services along the lines provided by departments' CIR services, but some of them are also a direct extension of the responsibilities of divisions in the Treasury or Cabinet Office (MPO). For example, SIED is part of the Running Costs and Manpower Division, and any gain from brigading it with, say, ME, would be at least offset by the loss from no longer having it directly associated with the policy divisions dealing with manpower questions.

3.10 Furthermore, while there have been many organisational changes in departments to improve the cohesion of the management of their CIR forces, the changes have not followed a consistent pattern. Thus there remains a multiplicity of organisational arrangements reflecting departmental needs and preferences. There is thus no model organisation which the central CIR forces ought to reflect.

3.11 Having said all that, the existing organisation, within the Treasury as well as between the two central departments, is obviously not ideal. When the organisation of the central departments is next under review, it would be desirable to reduce as far as possible the number of separate CIR commands.

Multi-Disciplinary Working

3.12 The spread of central CIR services over several commands does not seem to have inhibited multi-disciplinary working. The major multi-department reviews, such as on accommodation, budgetary control, the typing and secretarial grades, have usually involved a mixture of specialists, and all the services, except for IADB, report that they have done some multi-disciplinary work, both in departments and in advising the central departments, in the last year.

Training

3.13 (a) Some central CIR training is done by the central CIR services, and some is provided by the Civil Service College. For example:-

- SIED runs its own courses for staff inspectors
- AFA, IADB, CCTA and ME co-operate with the College (with varying balance of input as between College and CIR staff) in mounting courses for internal auditors, computer specialists and Management Services staff.

(b) The College is at present preparing a short course on "O&M for Managers" which will be designed specifically for line managers at HEO/SEO level to do their own simple O&M work, with the aim of launching a pilot course early in 1986/87. One possibility to be explored is that of departments using this as a "core" course, with their departmental instructors then mounting similar courses in their own organisations.

(c) The main example of a multi-disciplinary course is the Basic Assignment Skills and Strategy (BASS) course, also run by the College. It caters for new entrants to all the CIR disciplines and in three days puts over the common elements of assignment training. In addition, the College is now presenting the multi-disciplinary "approach" on all its assignment officer courses, especially the courses for O&M and related IT staff.

There is going to be a continuing need for specialist courses to teach CIR staff particular skills. But the new courses for line managers and the multi-disciplinary BASS course (which was introduced in 1983) are examples of the kind of broader-based training which will be increasingly needed by line managers and CIR staff. Some of that training will be best provided by departments (and departments are already doing so); but the training provided by the centre could usefully be developed further.

Monitoring Effectiveness

3.14 The question, which is similar to that confronted by departments, is how to develop reliable performance indicators for CIR staff. In some areas, the central CIR bodies have already developed and issued guidance on appropriate measures and indicators for use by departmental CIR staffs (and are applying them internally where appropriate). This is, however, an area where further exchange of information and experience between the CIR services would be helpful.

Co-ordination

3.15 If reorganisation is ruled out for the time being, the question is how best to direct and co-ordinate central CIR activity. Two forms of co-ordination are needed: first, co-ordination of activity

directed at individual departments, and secondly, co-ordination of work on particular subjects.

3.16 As to the first, departments can reasonably expect that intervention by central CIR staffs should be co-ordinated. At the very least intervention should be timed so as to minimise the burden on departments. The new guidance to Expenditure Divisions in the Treasury is intended to secure this co-ordination. As a first step, a meeting will be held twice a year of all central intervention staffs dealing with a single department. The meeting, which will be under the chairmanship of the Treasury Expenditure Division with responsibility for the department, should help to ensure that future plans are co-ordinated and coherent, while leaving enough flexibility to respond promptly to specific requests from the department concerned. It would also remit to the meetings described in paragraph 3.18 any issues which seem to require broader co-ordination.

3.17 In considering how best to co-ordinate work on particular subjects, the starting point is that ideally the central CIR staffs involved should be looked at as a co-ordinated resource under the control of top management. Top management would consider the scale of resources, training, the programme of work, the effectiveness, and the balance between the different specialisations. Since the staff are split between two departments, active co-operation is needed to ensure that this co-ordination is achieved.

3.18 Much central CIR work is carried out as assignments of staff to specific tasks in or for departments and a list is maintained of assignments in progress or planned. This is useful, but the idea needs to be developed. We suggest that the JMU should chair twice-yearly meetings with the heads of CIR staff in the Treasury and the Cabinet Office (MPO), to look at the work programmes for all the CIR services together. The aim would be to eliminate any overlaps in programmes, to see where joint working would be helpful, and to identify gaps. These meetings would seek to identify issues of wider significance. The programmes would then be submitted, with a commentary by the JMU, to the Joint Management Meeting, (JMM) augmented by the Head of the Government Accountancy Service. The JMM would in effect represent the top management boards of the two departments. The aim of this meeting would be to take a strategic view of the overall effort.

3.19 One of the theme issues which will involve a number of interests in the central CIR services is the scrutiny of running costs. With the shift in emphasis towards control of total running costs, departments will be required to deploy their CIR services to ensure effective scrutiny of running costs and to advise on further changes to continue the drive for efficiency and effectiveness (which the move to running costs control will support). Central CIR services will be behind this effort, both in support of departments and in support of expenditure divisions in their role of monitoring the systems for financial control in departments. Action to take this forward will be taken by the lead division on running costs (RCM) which will initiate work on running costs with the expenditure divisions, in conjunction with all other CIR interests (SIED, AFA, ME etc).

3.20 The mechanisms for ensuring that running cost controls operate effectively will need to be flexible to meet different circumstances. In some cases it may mean using staff inspectors or accountants to look at a department's systems or a particular aspect of running costs, possibly leading to the deployment of other experts. In others it may involve the use of multi-disciplinary teams, considering the whole range of the components in a departments' running cost limit. The first of the proposed 6-monthly meetings of central CIR will consider current activities to review running costs; will consider what changes of emphasis are needed in work programmes and training for the CIR services involved; and will recommend the necessary action to JMM.

DEPARTMENT	RECOMMENDATION 1	RECOMMENDATION 2
<p>Ministers in charge of departments with their Permanent Secretaries should ensure that line managers throughout their department understand that:</p> <ul style="list-style-type: none"> (a) the primary responsibility for resource management and control and for achieving improvement in value for money lies with line managers; (b) the cycle of budget and target setting and review through the year will become the main method of monitoring, assessing and controlling line management's performance; (c) line managers will be given the authority they need to discharge their responsibilities, in the expectation that their activities may be audited but that the control mechanism is the budget; (d) there will be arrangements for line managers to be helped by specialists, within their own organisation, or within the department, or from outside; (e) CIR staff (except for Internal Audit) will be accountable primarily for how far they have helped line management improve its performance. 	<p>Ministers should seek proposals from their Permanent Secretaries, within the next six months, for action to reorganise their CIR services. Options to be considered should include:</p> <ul style="list-style-type: none"> (a) regrouping the existing specialists to create a multi-disciplinary management support group, including staff inspection, management services, operational research and computer experts, and with access to other specialists; this support group should provide expert advice to both line management and to the top management group; (b) developing a small top management secretariat which works directly for the senior management group and can co-ordinate the investigations and scrutinies commissioned or authorised by that group. The secretariat should draw on whatever source of expertise, within or outside the department, is most appropriate for the work it commissions. <p>The heads of large executive organisations which have their own CIR services should also review them on the lines of sub-paragraph (a).</p>	<p>Management services, staff inspection, information and computer services brigaded into Management Services Group. Management Board establishes joint programme for CIR work and bi-monthly reports are submitted to Ministers. Through the Board's work, the activity of its Secretariat and the close collaboration of MSG, establishment and finance groups, a means exists of co-ordinating investigations, staff inspections and scrutinies.</p>
<p>MINISTRY OF AGRICULTURE, FISHERIES AND FOOD</p>	<ul style="list-style-type: none"> (a) Message promulgated through Ministerial circular on FMI, Permanent Secretary's seminars, office notices on delegated budgeting and in general training. (b) Management information system supports top management planning by recording in objectives, resource use, measures of achievement and plans for each area of work. (c) Budget responsibility for programme expenditure rests with line managers. Decentralised budgetary control of running costs being introduced in 1986/7. Significant blocks of personnel work decentralised and more planned. (d) CIR services available to line managers. (e) Recommendation accepted in principle. General awareness on the part of senior management of where CIR staff could be most effective. 	<p>Staff Inspection/O&M and IT grouped in the same Division and planning and financial support is available. Committee chaired by PEFO and comprising Heads of CIR units carry out joint planning of work programmes and maintain general overview.</p>
<p>CABINET OFFICE</p>	<ul style="list-style-type: none"> (a) Fully recognised and accepted by line managers. Message will be restated when further authority delegated. (b) Strategic planning exercise and end year review of achievement against plans in MPC. Aim to extend to other parts of departments. (c) Considerable financial authority already rests with line managers. Authority to be extended, in particular to include personnel, complementing and grading matters. (d) Arrangements already exist. Line managers to be reminded of the availability of specialist assistance when extending their authority. (e) Measures of performance to be extended and additional indicators devised. 	<p>CIR services presently dispersed but this will be reviewed by the Director General with the aim of considering the feasibility of a multi-disciplinary support group. Target date is late 1986.</p>
<p>CENTRAL OFFICE OF INFORMATION</p>	<ul style="list-style-type: none"> (a) Role of management stressed at seminars and training courses. (b) Resource management by budget system is well developed alongside the management accountability system. Continuing devolution of responsibility to line managers. (c) CIR briefing paper distributed to managers at Principal level. (d) Costs and benefits of CIR work quantified where practical. CIR services are developing performance indicators and targets are being set by the management group. 	<p>Management Services, Operational Research, Staff Inspection and computer services report to the Director of Organisation. Together with Internal Audit they have co-ordinated programmes and carry out multi-disciplinary working.</p>
<p>CUSTOMS AND EXCISE</p>	<ul style="list-style-type: none"> (a) Message stressed in complementing instructions. (b) Systems of management planning, objective and target setting and delegated budget responsibility have been introduced in headquarters and outfield. Performance against objectives is reviewed by top management. (c) Improvements being considered. (d) Management services and staff inspection identify benefits in reports. 	

ANNEX A

RECOMMENDATION 3	RECOMMENDATION 4	RECOMMENDATION 5	RECOMMENDATION 6
<p>Internal audit should be maintained as an independent function, but internal auditors should work in close cooperation with the management support group. How best to organise this co-operation will vary from department to department. Hitherto a majority of departments have emphasised the independence of internal audit by keeping a separate unit. On the other hand, departments should be free to group internal audit with other functions where the Accounting Officer is satisfied that there are advantages in this and that the independence and central standards of internal audit will be maintained. These organisational arrangements should be further reviewed in three years time.</p>	<p>(a) Career planning for internal audit and management support staff, outside the functional specialism, should aim to ensure that spells of continuous service are no more than five years, and (b) that senior staff have real line management experience in addition to experience in their specialism.</p>	<p>For the next two years at least, the principal task of the management support group should be to handle the difficult period of change to resource control by budget. They will need to work directly with line managers and with training divisions to ensure that line managers have the resource control systems and the skills that they will need. Once the new budget structure is in place, the management support group should have the resources to develop as an expert advisory service for line management.</p>	<p>Work programmes for the services covered by this report should be approved by the senior management group. Investigations sponsored by senior management itself should concentrate on problem areas of wide significance. Although from time to time the senior management group may want to sample the position on a particular management issue, for example grading standards in one organisation of the department, it should not use its assignment staff for detailed second-guessing. These issues should be resolved as part of the budget-setting process and the responsibility for putting any deficiencies right should lie within the line.</p>
MAFF	(a/b) Accepted.	<p>The Financial Management Team is developing the necessary control systems and providing training. Further thought will be given to the organisation of support for line managers, for the routine processing and monitoring of information as well as the provision of expert consultancy.</p>	<p>Management Board annually approves co-ordinated programme of Staff Inspection, audit and scrutiny. Work sponsored by senior management concentrates on areas of wide significance.</p>
CO	<p>(a) Accepted, drawing up career development plans. (b) Accepted, considering general training needs.</p>	<p>Transition to resource control by budget is being handled by Finance Division.</p>	<p>Work programme for CIR services will be approved by senior management.</p>
COI	(a/b) Accepted.	<p>Department already operates as a system of resource control by budget. CIR services aim to extend their existing consultancy role.</p>	<p>Senior management approval of work programme for Staff Inspections and reviews are now carried out 6 monthly instead of yearly. Audit plans are submitted to PFO who is a member of the Management Group. Second guessing on line management budgets will be avoided by commissioning studies on department wide issues.</p>
C&E	(a/b) Accepted.	<p>Department is considering improvements in training and consultancy awareness. Recommendations are being considered to encourage line managers to seek support. The FMI Team also supply support to line managers.</p>	<p>Current departmental practice.</p>

RECOMMENDATION 1

RECOMMENDATION 2

DEPARTMENT OF EDUCATION & SCIENCE

(a) Line management responsibility for resource management and control and for achieving improvements in value for money are promoted through the Trident system of top management. Training seminars promoted by the Permanent Secretary for all grades from EO upwards have a strong FMI slant. FMI response to date was circulated to all staff in July 1985.
 (b/c) "Hands off" nature of most DES programme expenditure (£13m) means that the delegation of budgetary and management responsibility is concentrated on administrative expenditure (£50m). Discrete units (UGC, HMI, Darlington) are now cost centres with responsibility for a wide range of costs. 5 units in London have been given control of budgets on limited range of costs (staff costs including overtime, travel and subsistence - UK and foreign, hospitality, some training costs, computing services and publications). This experiment is now being evaluated.
 (d) Line managers have access to specialist advisers on computers and IT, to accountants and economists, and to a financial modelling team of operational researchers. DES CIR review proposes extending the consultancy role of staff inspectors.
 (e) Time spent by CIR service is managed and benefits arising from recommendations are quantified where possible.

A full scale internal scrutiny of CIR services has been undertaken and an action plan prepared for submission to Ministers. There will be an emphasis on coordination but the changes suggested will not follow precisely the recommendations in the central report.

DEPARTMENT OF EMPLOYMENT

(a) Line manager's role stressed in guidance notes on devolved budgeting and throughout FMI systems generally.
 (b/c) Budgeting provides a basis for top management review and target setting and is the main means of monitoring, planning and controlling expenditure. Moving to devolved budgeting in 1986/7 following trials in 1985/6.
 (d) Managers have specialist help available where budgeted for. Guide to CIR services planned.
 (e) Costs of CIR work identified and effects are measured by impact on line managers' performance indicators.

Establishment of the Senior Management Support Unit attached to the Permanent Secretary's Office. CIR Co-ordinating Committee to take an overview of work programmes, present a co-ordinated annual programme to top management, review proposals for use of outside consultants and assesses needs for multi-disciplinary reviews. Survey Unit presently mainly engaged on cyclical Staff Inspection to be renamed Management Services Unit and develop into a fully demand led consultancy and advisory service for senior and line management. Unemployment Benefit Service branch to create a small central Management Services Unit.

DEPARTMENT OF ENERGY

(a) Role of line management emphasised in annual management exercises.
 (b/c) Department operates a decentralised system of financial responsibility. Line divisions are responsible for controlling their programme expenditure, and for seeking the best value for money. Important aspects of running costs have also been delegated to divisions.
 (d/e) Senior management look to CIR staff both to provide reassurance to central management and assistance to line divisions as necessary. The value of staff inspection and computer services is judged by the extent to which they enable line managers to perform their functions with greater efficiency.

Staff Inspection, Internal Audit and Computer Group all in one divisions reporting to the PEFO. Steps are in hand to improve co-ordination and liaison between these groups.

DEPARTMENT OF THE ENVIRONMENT

(a) Line responsibility and accountability well established under MINIS and other management information systems.
 (b) Top management information systems streamlined to concentrate on performance review, resource and policy options.
 (c) Two systems distinguished so that line systems supports and feeds the top management system.
 (d) Extra resources devoted to CIR services. Guide to management services to be issued.
 (e) Costs of CIR work quantified and expected savings agreed with line managers. Follow up reviews carried out on OM consultancies to measure outcomes after one year.

Directorate of Administrative Resources contains O&M, Operational Research and computing expertise (all under the Head of Business Efficiency Services) and Staff Inspection. Good links exist between Staff Inspection and other CIR services. Joint planning of CIR work programmes is being improved. Central Policy and Planning Unit provide an effective top management secretariat capable of co-ordination where necessary.

FOREIGN AND COMMON-WEALTH OFFICE/OVERSEAS DEVELOPMENT ADMINISTRATION

(a) Message promulgated through various channels.
 (b/c) Limited delegation and budgetary control especially in overseas posts.
 (d) Management Review staff to be reinforced.
 (e) Views to be sought on the utility of CIR work. Time spent on different phases of review work to be analysed to assist planning.

Management Services and Staff Inspection brought together in new Management Review Staff. Close links exist between MRS, Internal Audit Unit and IT Department. Senior Management Committee in the FCO and ODA will oversee the work of all CIR services. Management reviews of wider scope than hitherto carried out will be encouraged for the study of problem areas of wide significance.

	RECOMMENDATION 3	RECOMMENDATION 4	RECOMMENDATION 5	RECOMMENDATION 6
DES	<p>Departmental scrutiny proposes to retain the independence of internal audit but envisage more joint reviews with Staff Inspection teams. The use of internal audit as consultants to line managers will be considered further.</p>	<p>Limited length of careers in internal audit are constrained in DES by the need identified by the PAC to improve professionalism with consequent commitment to lengthy and costly training. Seven years in Internal Audit will be the aim.</p>	<p>The shift to resource control by budget is being handled by a Financial Management Unit in the PEOs command. Computerised financial management system has been introduced for running expenses. It serves about 150 cost centres. Pilot scheme in operation in 5 branches with delegated responsibility for running costs, estimating, monitoring and control. In addition the Department has been instrumental in establishing efficiency reviews in the main areas of its programme expenditure.</p>	<p>The internal audit work programme is already subject to approval by Top Management Group. It is proposed that the Staff Inspection programme should be similarly approved. The information technology programme for the longer term is also approved and reviewed by the Management Group</p>
DEmp	<p>Internal Audit separate reporting through Accountant General to Permanent Secretary. Representative on CIR Co-ordinating Committee.</p>	<p>(a/b) Accepted.</p>	<p>Task of handling transfer to resource control by budget borne by Finance Division and the Senior Management Support Unit. They both provide expert advisory services to line management.</p>	<p>Senior Management Group approves combined annual programmes for CIR services.</p>
DEng	<p>Internal Audit grouped with other CIR services under PEFO but with right of direct access to Accounting Officer. Improved links being established between internal audit and other CIR services.</p>	<p>(a/b) Accepted within the constraints imposed by small size of the Department.</p>	<p>Senior Management look at CIR staff to provide assistance to line divisions as necessary, within a financial system that is already largely decentralised.</p>	<p>Permanent Under-Secretary will approve Staff Inspection and Internal Audit programmes.</p>
DOE	<p>Internal Audit is a separate independent function. Cannot be brigaded with other CIR services as they are jointly operated with DTp whereas there is a separate internal audit function in each Department. Organisation will be kept under review.</p>	<p>(a) Accepted in principle subject only to the need to retain a cadre of "semi-specialist" skills such as operational research and computer support services.</p>	<p>Accept that assisting line management implement the shift to resource control by budget will be of major importance over the coming years. Department is considering scope for expanding its established arrangements whereby CIR staff pass on their skills to line management.</p>	<p>Senior management approves annual work programmes for Staff Inspection, Internal Audit and Rayner scrutinies. Does not currently consider forward programmes for O&M, OR, computer services and external management consultancies as they tend to be fairly short term and need to be able to respond flexibly to consumer demand. Further consideration to be given to how top management can indicate priority areas for consultancy assignments. Accept that senior management should concentrate on problems of wide significance. Work programmes approved by senior management who sponsor scrutinies of wide significance.</p>
FCO/ ODA	<p>Internal Audit separate. Close links with other CIR services.</p>	<p>(a/b) Accepted.</p>	<p>Budget holders do not at present require more CIR input on budgets management. Department presently considering the issues of Staff Inspection guidance to line managers.</p>	

RECOMMENDATION 1

RECOMMENDATION 2

FORESTRY COMMISSION

- (a) The responsibility for resource management and control, as well as the achievement of improvements in value for money is communicated through budget setting and control procedures. Department is organised on commercial lines with a high degree of autonomy granted to the seven conservators (Regional Managers).
- (b) Operating substantially in department but is currently subject to review. Aims over next 2 years to improve financial accounting and management information systems mainly by establishment of new communication links within the department to speed up the flow of information.
- (c) Budgetary control is devolved for all forest operations. The report of a committee set up to make recommendations on further delegation is now being studied.
- (d) Line managers have well established contacts which help them to make effective use of CIR services, eg regional Work Study teams, outstationed from HQ maintain regular contact with Conservators and Forest District Managers.
- (e) Each CIR service produces an annual report to the Executive Board which summarises the cost of providing the service and the achievements and cost savings over the previous year.

All CIR units now in same HQ location but not brigaded. No plans for further changes following review of Conservancies and HQ in April 1985. Work of CIR units subject to annual review and approval by Executive Board.

GOVERNMENT COMMUNICATIONS HEADQUARTERS

- (a) Responsibility for management and control of resources to achieve value for money in changing operational circumstances is understood as an essential part of the line manager's role.
- (b/c) Measures consistent with these principles including target setting are being introduced as appropriate to department's budgeting arrangements and organisation.
- (d) Line managers are well aware of the specialised assistance of CIR services available to them and make regular use of them in considering measures to improve efficiency.
- (e) Helping line management improve its performance is an increasing part of the function of CIR units and therefore in their accountability. Costs of CIR work being increasingly quantified.

CIR Units are collocated in the Management and General Services Division. This enables them to carry out multi-disciplinary working where it is required. Work programmes are exchanged and informal contacts are good, with exchange of appropriate reports.

HEALTH AND SAFETY EXECUTIVE

- (a) Budget holders are aware of their responsibility for resource control.
- (b/c) Improved accounting systems should allow for greater devolution of budgetary responsibility in the future.
- (d) Satisfactory arrangements exist for providing CIR services.
- (e) Costs of CIR work quantified and benefits noted where possible.

Main CIR forces grouped in one division. Enhancement of support role for Executive as regards the divisional planning system. Good informal liaison.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

- (a) Message promulgated at every available opportunity including management meetings, seminars, training courses and in guidance on management information system.
- (b/c) Budgets for non manpower costs delegated to local office managers. About one fifth of local offices taking part in pilot projects of fully developed budgetary control involving manpower costs. HQ Grade 3's are budget holders for some nonmanpower costs. Manpower budgeting being piloted in HQ. Both central offices have introduced budgetary control of costs including manpower.
- (d) Pamphlet describing CIR services to be issued.
- (e) Common methodology for determining the cost effectiveness of CIR being explored.

Limited brigading of CIR including Management Services, Staff Inspection, Efficiency Unit and Central Secretariat. Separate CIR outfit for the NHS Management Board. Good links with Operation Strategy Directorate and Internal Audit. CIR Co-ordinating Committee set up to oversee CIR work in order to ensure that gaps and overlaps are avoided.

HER MAJESTY'S STATIONERY OFFICE

- (a) Message implicit in budgetary system and financial target setting.
- (b/c) HMSO is a Trading Fund and has a system of delegated budgetary control with Directors of the businesses and the corporate support services controlling an agreed budget and manpower allocation within which they have full authority to help them meet department's financial targets.
- (d) Guide to CIR services to be issued to line managers.
- (e) Cost of O&M and Staff Inspection to be compared with overall benefits. Annual report rendered to top management.

O&M branch, Office Technology, Staff Inspection and Internal Audit report to Director General Corporate Services. Due to its size and Department does not require a special top management secretariat beyond that which is already in place. Formal liaison arrangements between CIR services not necessary as their schedules of objectives are approved quarterly by Management Board.

	<u>RECOMMENDATION 3</u>	<u>RECOMMENDATION 4</u>	<u>RECOMMENDATION 5</u>	<u>RECOMMENDATION 6</u>
FC	Internal Audit although based on Finance Division operates an independent function with the Chief Auditor reporting directly to the Director General. Liaison is maintained with the other relevant CIR functions.	a. Normal tours of duty are 5 years. b. Normally CIR specialists are recruited from line management and return to line management.	Budget based controls already in operation.	Annual programmes approved by the Executive Board.
GCHQ	Internal Audit is independent function, with good links with other CIR services.	(a/b) Accepted.	Financial budgets have been delegated to line management control where this is consistent with GCHQ's operational and technical circumstances as has some manpower and grading control previously wholly centralised. The Management Support Group is developing a financial information system to provide line managers with detailed costs of the resources which they control.	The PEFO approves CIR units' work programmes, which include assignments requested by line managers and wide ranging investigations sponsored by senior management.
IISE	Internal Audit part of Planning Branch which acts as secretariat to top management to oversee the operation of systems for setting objectives, review and priorities, obtaining allocated resources and for planning, monitoring and evaluating the work performed by the Department.	(a/b) Accepted in principle Given the small number of CIR staff in the Department, some may have to stay in post more than 5 years at a stretch.	Budget responsibility has been devolved to Under Secretary/Chief Inspector level, with some further devolution as appropriate. No further changes are immediately prospect. Resource management covered in training.	Joint annual programme for financial, manpower, management and systems audit are put to the Executive for approval.
DHSS	Internal Audit separate division reporting to PFO. Coordination with CIR units to be improved. Representative on CIR Co-ordinating Committee. Position to be reconsidered in 1988.	(a) Accepted, although Department retains flexibility in the case of Internal Audit. (b) Quality and balance of skills of CIR staff to be considered by Co-ordinating Committee and Establishments Division. A plan for improvement will be put to Ministers in early 1986.	Developing assistance to line management to handle shift to resource control by budget is a top priority task to which CIR resources should be deployed as appropriate.	CIR work programmes approved by senior management and the Co-ordinating Committee will ensure that gaps and overlaps are avoided. Work programmes are largely derived from suggestions put forward by line management and therefore welcome to them and free from the implication of second guessing.
HMSO	Head of Internal Audit is also responsible for Staff Inspection. Arrangements will be reviewed in 1988.	(a) Accepted, career planning arrangements being amended. (b) Accepted.	Department has completed transition to resource control by budget.	Internal Audit work programme approved annually by Management Group, Staff Inspection programme seen by Management Group. Office technology strategy would be subject to approval by IT Committee. O&M programme only scheduled for 3 months ahead since service to line manager is the primary concern. Top management sponsor investigations of wide significance.

RECOMMENDATION 1

RECOMMENDATION 2

HOME OFFICE

- (a) Message promulgated through FMI systems, in "Guide to Line Managers" and in training courses.
- (b) Allocation of resources subject to challenge against background of stated objectives and performance indicators. Performance target set and monitored through management information system. Inputs and outputs are increasingly being related.
- (c) Delegation of budgetary and other responsibilities seen as a means of sharpening the accountability of line managers and increasing ability to control use of resources to best effect. Central effort will be devoted to challenging, probing and reviewing areas of delegated authority including the negotiations of actual budgets.
- (d) Guidance to be issued on the use of outside consultants and arrangements made for monitoring their performance more effectively. Guide on the roles and capabilities of CIR services to be issued. "Bedding out" of CIR staff to be kept under review.
- (e) Annual review by the PEO of the performance of CIR services covering cost effectiveness.

Internal Audit, O&M, Work Study, Staff Inspection, Central Accountancy and economic advice brigaded under the Head of Finance and Manpower Department who is also the PFO. Management Services Liaison Group consisting of heads of main CIR units co-ordinates programmes at the planning stage and promotes multi-disciplinary working. Statisticians and operational researchers are separate. Permanent Secretary receives advice on all aspects of resource management from PFO.

INLAND REVENUE

- (a) Seminars held for all line managers. Document on "Direction of Change" setting out, amongst other things, departments FMI strategy made available to all staff. Chairman's Newsletter reinforced message.
- (b/c) Department pressing ahead with development of budgetary control. Results encouraging.
- (d) Booklet on CIR services to be produced. Post of Budgetary Liaison Officer to be set up in each region to help introduce budgeting.
- (e) Costs and benefits of CIR assignments are normally spelt out.

Operational Research, Staff Inspection, work measurement, Management Services and Internal Audit are grouped under one Under Secretary. Joint planning of work programmes. Multi-disciplinary Operational Reviews are carried out. Finance Division provides secretariat to the Board in pointing out the main issues arising out of management information system. No need for separate top management secretariat function but this will be kept under review.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

- (a) Line managers aware of their role although value for money means above all things avoiding disallowance of expenditure by European Commission auditors.
- (b) Cycle of budget and target setting of limited value in assessing line management performance (see 1a).
- (c) Authority delegated to line managers is commensurate with their responsibility. Use of budget as a control mechanism is limited by the constraints mentioned under 1a.
- (d) Internal and external specialist support is available.
- (e) Particular account will be taken of the extent to which CIR activities have helped improve line management performance.

Management Services, Staff Inspection, computer services, Financial Management Services and Internal Audit report to the Director of Management Services. Senior Management Groups secretariat provide co-ordination.

LAND REGISTRY

- (a) Managers are aware of what is expected of them and they are held accountable.
- (b/c) Management accounting information systems in operation since 1975 incorporating techniques of budgetary control and standard costing, comparing actual resources used with planned resources for the equivalent output. Budget bids made by line managers are vetted and approved by the Budget Committee.
- (d) Extra O&M staff being made available to help line managers and additional specialist support staff will be made available if required.
- (e) CIR staff to be held accountable. Staff will be judged on effectiveness of recommendations, timeliness and interpersonal skills.

New Management Support Unit being set up to be manned by people trained in O&M skills. Unit will work in close liaison with Internal Audit. Additional specialist support staff will be seconded to the Unit as required. Unit will provide expert advice to line managers and top management.

LORD CHANCELLOR'S DEPARTMENT

- (a) Message stressed in series of seminars and discussions led by senior management.
- (b/c) Department setting targets for management, monitoring achievements and delegating budgets for manpower and money. Budgets delegated to Grade 3 level.
- (d) Seminars help increase awareness of CIR availability.
- (e) Costs - of CIR work quantified and benefits noted where possible.

Staff Inspection, management scrutiny and top management secretariat brigaded in one Division.

	RECOMMENDATION 3	RECOMMENDATION 4	RECOMMENDATION 5	RECOMMENDATION 6
HO	Internal Audit is an independent function brigaded under PFO with other CIR services/ Head sits on the Management Services Liaison Group.	(a/b) Present practice although sometimes difficult to achieve in the case of Work Study because of degree of specialism and reluctance of officers to move.	Assistance to line managers in establishing budgetary control systems is being provided by dedicated units attached to those parts of the Department which need them rather than by centrally organised CIR services. CIR services will need to be ready to meet demands for support in the future. There is an immediate need to ensure that CIR services are themselves adequately trained to do this.	Work programmes of CIR units approved by various senior management groups. Management Services Liaison Group, consisting of the Heads of CIR, provides forum for Liaison in preparation of programmes. PEO's annual review of CIR will be an opportunity to sort out problems. Top management considers proposals for important efficiency related reviews and takes decisions. Audit and Staff Inspection continue to have a strong cyclical element but with increased emphasis on setting priorities and directing resources at where the perceived need for independent scrutiny is greatest.
IR	Internal Audit grouped with other CIR services but independent. Good coordination between Internal Audit and other CIR services. Multi-disciplinary working through Operational Reviews.	(a) Generally accepted, flexibility to be retained in cases where extensive or expensive training is involved. (b) Accepted.	Shift to resource control by budget will be a major issue for the Management Support Group over the next 2 years. Budgetary Liaison Officers are providing support to line management. Comprehensive training programme being implemented. Methods are being developed by the OR unit to help tax managers interpret information from management systems. A technical resource allocation guide is in use and enables line managers in the tax inspectorate to plan and monitor the use of resources more effectively.	The work programmes of the CIR services are endorsed by the Board through the annual SMS review process. Investigations sponsored by senior management concentrate on areas of wide significance. Avoidance of second guessing accepted in principle although there will continue to be a need for appropriate systems for central control on overall manpower numbers.
IBAP	Internal Audit reports to Finance Officer and Director of Management Services alongside CIR services. Independence is assured while cooperation is encouraged.	(a) Accepted. (b) Accepted within limited flexibility available to small department.	Support for transition to budget based controls is provided by Finance staff responsible directly to the Finance Officer and Director of Management Services.	Work programmes for CIR services are controls approved by the Chief Executive after discussion with senior management. Problems of second guessing do not arise.
LR	Internal Audit is an independent function but will work in close liaison with the Management Support Unit.	(a/b) Accepted.	Resource control by budget implemented since 1975.	CIR services work directly to the Management Coordinating Committee which is the Senior Management Group responsible for authorising investigations and scrutinies, some of which will be initiated at the request of senior line managers.
LCD	Internal Audit is independent function reporting to the PFO.	(a/b) Accepted.	Series of seminars held to spread the message of management change. Grading guidance had been issued to line managers.	Work programmes approved by top management. Staff Inspection partly at the disposal of line management.

RECOMMENDATION 1

RECOMMENDATION 2

MANPOWER SERVICES COMMISSION

- (a) FMI Coordinating Committee stressing role of line management. Significant commitment to training to increase line managers' awareness of principles of FMI. FMI bulletin goes to all offices.
- (b/c) Managers have substantial delegated authority on grading and deployment of staff resources. Limited discretion on programme expenditure within budget. Senior Management Committee receives monthly reports on expenditure and outputs.
- (d) Further consideration being given to additional needs for specialism within CIR. Line managers are generally aware of CIR help available.
- (e) Management objective to improve information on performance of Management Services and Staff Inspection. Assignment work costed. Follow up work carried out to test quality of Management Services work.

Consideration of the organisational aspects of the CIR Report are being postponed until the conclusion of a major organisational review of MSC.

MINISTRY OF DEFENCE

- (a) Paper issued reiterating Secretary of State's management principles.
- (b) Executive responsibility budgets (ERBs) are being introduced in the support areas. Extensions of the scheme are being pursued with a view to their introduction once their initial 3 year programme is complete. Staff responsibility budgets (SRBs) for civilian staff have been operating since 1 April 1984 and similar budgets covering Servicemen were introduced in many areas on 1 April 1985.
- (c) SRB holders have delegated complementing authority up to SEO level.
- (d) Document publicising CIR arrangements is being distributed.
- (e) Accepted.

Management Services, Staff Inspection and Internal Audit are grouped under the Director General of Management Audit. Administrative computing reports to a separate Under Secretary. Economists, Operational Researchers and Statisticians are separate. The Department has a Management Audit Board which oversees the work of the CIR units and the development of efficiency strategies. It is chaired by the Permanent Secretary. The DGMA has frequent meetings of the CIR Unit Heads. Top management secretariat role fulfilled by branch co-ordinating and developing the MOD efficiency programme.

DEPARTMENT FOR NATIONAL SAVINGS

- (a) Budget holders (AS level) have considerable authority to manage resources and are aware of their duties to secure value for money.
- (b/c) Budgets delegated to AS level. Further delegation to be considered as experience of present system is gained.
- (d) Availability of CIR services will be more widely publicised.
- (e) CIR services, with the exception of internal audit and staff inspection report to line management and their performance is judged on that basis. Staff inspection instructions will be altered to make clear the importance of helping line management improve its performance.

The Department does not believe that either of the recommended options suits their management structure and scattered organisation. The Department is mainly composed of 3 large outstationed Executive Divisions. Department is working towards joint consideration of all future work programmes for CIR services.

OFFICE OF POPULATION CENSUSES AND SURVEYS

- (a) Message made clear in training and through the setting of objectives, targets and budgets. FMI newsletter sent periodically to all staff down to EO level. New annual reporting system will reinforce these attitudes.
- (b) Integrated cycle of target setting and resource allocation being introduced. Targets and objectives set yearly and published. Performance reviews will also be published.
- (c) Further flexibility within divisional cash and manpower limits is being explored. Management information system detailing use of manpower and money is being further developed.
- (d) Internal and external assistance is available to line managers.
- (e) Department will explore measurement of output and performance by line managers and this will contribute to the development of performance measures for CIR staff.

CIR services provided by 2 Divisions, Management Services (Staff Inspection, O&M and general efficiency scrutinised) by Establishment and Finance Division and ADP advisory services by Computer Division. It is intended that Staff Inspection and O&M should become a fully integrated service with participants trained in both disciplines and working in multi-disciplinary teams where necessary. Working contacts are good and joint project teams are set up where necessary. Work programmes are jointly planned.

ORDNANCE SURVEY

- (a) Role of management will be restated.
- (b/c) Budgetary control system has been in existence since the early 1970's. Devolution to line managers is continuing.
- (d) Support is available.
- (e) Formulation of measures of accountability for CIR staff is a priority.

Multi-disciplinary Management Support Group consisting of Staff Inspection and O&M to be set up. Additional expertise such as ADP will be made available from operational areas as required. Principal heading unit will report to PEO. This and the small size of department obviates the need for a top management secretariat.

PAYMASTER GENERAL'S OFFICE

- (a) Training courses in financial management arranged for staff. All cost centre managers (SEO) and their deputies have received training. Ongoing programme of awareness training.
- (b/c) Financial Management Development Team developing system for financial management throughout PGO. Computerised vote and management accounts and detailed breakdown of expenditure and, wherever practicable, budgets to SEO cost centre levels.
- (d) Arrangements exist for specialist help. Services publicised in staff handbook.
- (e) CIR staff will be accountable primarily for how far they have helped line managers improve its performance. Costs and benefits of CIR work quantified.

Staff Inspection, O&M, and Office Technology brigaded together although they have split reporting. Due to small size of Department, only 9 officers above Principal level, it is not necessary to have a top management secretariat as all senior management meet regularly.

	RECOMMENDATION 3	RECOMMENDATION 4	RECOMMENDATION 5	RECOMMENDATION 6
MSC	Internal Audit separate. Importance of audit working to support management decision making stressed. Staff Inspection and Internal auditors have worked together.	(a/b) Accepted.	Department has mainly attained resource control by budget. The training needs of Management Services and Staff Inspection are being reviewed.	Internal Audit work programme is subject to the approval by the Chairman's Management Committee. Six monthly programme of Staff Inspection and Management Services assignments are sent to the CMC for approval. Top management sponsors investigations of wide significance. It is hoped that in the future all CIR programmes will be jointly approved.
MOD	Internal Audit has for some time been grouped with other CIR services but independent. Multi-disciplinary working carried out. Coordination of Internal Audit and Manpower Audit will be kept under review and the further development of special audit programmes will continue.	(a/b) Existing departmental policy.	Shift to resource control by budget is the responsibility of the PFO and the Director General of Management Audit is closely associated with carrying forward this work.	Existing departmental policy.
DNS	Internal Audit follows independent work programme. Cooperation with other CIR services will be maintained and arrangements will be reviewed in 1988.	(a) Accepted - length of service in specialism will be monitored. (b) Accepted.	Introduction of new resource management systems being handled by separate unit with other CIR services assisting with this work as necessary. The budget structure is already in place, the cost centres are operational, and information requirements will be completed by 1986.	Approval arrangements being extended to cover all management support services. Action being taken to ensure that investigations sponsored by top management concentrate on problem areas of wide significance.
OPCS	Internal Audit is separate. Head of Management Services Branch is a member of the Internal Audit Committee. Regular consultation with other CIR services. Possibility of joint working being considered.	(a/b) Accepted.	Financial Management Advisory Group is developing budgetary control and management information systems. Management Services staff have supported the FMAG on project work and it is planned to have one Management Services officer assigned full time to FMI work. Staff Inspection grading guidance held by senior line managers. Management Services trying to pass on skills to line managers.	Work programme for Internal Audit, Staff Inspection and Financial Management branch are submitted annually to senior management. It is intended that O&M work programmes will be integrated with that of Staff Inspection to form a unified programme. Information technology programmes approved by Information Processing Policy Committee.
OS	Internal Audit is independent separate function. Heads of Internal Audit and other CIR units to hold regular mutual briefing meetings. Internal Audit resources and expertise are available to CIR teams as required.	(a/b) Accepted.	Resource control by budget already implemented. CIR teams will in future be reviewing specific aspects of planning, budgeting, targeting and monitoring activity with a view to improving accountability.	Approval of work programmes being extended to cover all CIR services.
PGO	Internal Audit separate. Close cooperation with other CIR services.	(a/b) Accepted.	Financial Management Development team and Finance Division are handling the shift to resource control by budget. Management Services Team will assist cost centre managers in their staff budgeting by producing indicators and the FM Development Team will also consider the use that may be made of performance indicators.	All work programmes are approved by the Senior Management Group or in the case of information technology by the IT Steering Committee.

RECOMMENDATION 1

RECOMMENDATION 2

PROPERTY SERVICES AGENCY	<p>(a) Although Department feels the need for a period of strong central management, line managers' responsibility for securing better value for money is being strongly emphasised and initiatives to devolve responsibility for managing resources are being pursued as improvements in information systems permit.</p> <p>(b/c) Pilot systems in three organisational units are being set up. A full 12 months trial is planned in those units during 1986/87.</p> <p>(d) Guidance to be issued to inform line managers how to obtain consultancy help. Where demand cannot be met from in-house resources guidance will be given on how to get specialist help from outside the Department.</p> <p>(e) Accepted in principle. Preliminary work has started on setting up a pilot information system in the IT Directorate to aid planning and control of its resources.</p>	<p>Internal Audit, Management Accounting, and manpower allocation are under the PFO; Staff Inspection and gradings are under the PEO; Information Technology and Management Services are with the IT Directorate which also reports to the PEO. The top management secretariat already exists and has assumed the responsibilities recommended including co-ordination of all CIR programmes.</p>
ROYAL MINT	<p>(a) Message stressed throughout the preparation of management budgets.</p> <p>(b/c) Budget mainly divided up to Dep. Sec. level although some aspects, eg travel and subsistence, devolved to AS level. Pilot experiment under way to allow greater delegation to Grade 3's and a few outstations. Department is committed to further delegation.</p> <p>(d) Circular issued publicising new arrangements for CIR services.</p> <p>(e) Savings expected from Staff Inspection and O&M studies quantified.</p>	<p>Staff Inspection, Operational Research and Information Technology are multi-disciplinary in practice and effectively operate largely within a top management secretariat.</p>
SCOTTISH OFFICE	<p>(a) Message is communicated throughout the system for devolved resource budgets and top management information systems.</p> <p>(b/c) Responsibility cost centres presently include over half DTI staff. Dep. Sec. commands will become cost centres with delegated complementing authority by 1 April 1986. Top management group will set budgets and supervise progress.</p> <p>(d) Improved awareness of CIR services being promoted during the annual ARM round and also sought through Divisional Finance Officers network and through closer involvement of the top management group with the CIR services.</p> <p>(e) Benefits of CIR work are quantified where possible. Further thought being given to the methodology of evaluation of major computerisation projects.</p>	<p>Staff Inspectors and Management Services staff have been merged in an Efficiency Unit. Steps taken to improve co-ordination between Internal Audit and Efficiency Unit. New Information Technology Development Unit to be set up to promote use of IT and strong links with the Efficiency Unit will be encouraged. Review Activity Coordinating Committee will play a role in joint planning of CIR work programmes.</p>
DEPARTMENT OF TRADE AND INDUSTRY	<p>(a) Message is promulgated through FMI systems generally.</p> <p>(b/c) Budget for administrative expenditure delegated to cost centres. Major review of department's central management capability and its own response to the FMI recently completed (the Instone Report). Now being considered.</p> <p>(d) Internal and external resources are available to line managers.</p> <p>(e) CIR staff set out expected benefits and carry out a "value for money" follow up study after the report.</p>	<p>C&I, Staff Inspection, Operational Research and Computer Services are grouped in one Division (MSM). Economists and statisticians are separate. Finance Resource Management Division provides the secretariat to top management, with MSM involvement in management matters and the Policy Planning Unit having a general overview.</p>
DEPARTMENT OF TRANSPORT	<p>(a) Message promulgated at every available opportunity including guidance on planning system.</p> <p>(b/c) Budgeting and programming round is the focus for reviewing and planning work and resources.</p> <p>(d) CIR staff available to assist line managers at all levels as required. Line managers have shown an awareness of what help is available and a willingness to ask for help.</p> <p>(e) Costs of Staff Inspection and Management Services assignments quantified.</p>	<p>Directorate of Administrative Resources contains O&M, Operational Research and computing expertise (all under the Head of Business Efficiency Services) and Staff Inspection. Finance Management Division provide secretariat for Permanent Secretary's Resource Management Committee. Transport Policy Review Unit bring this and other management work together for the Permanent Secretary's Policy Management Board and Ministers Review of Objectives and Costs. Further changes being considered in the light of the recommendations of the Instone Report.</p>
HER MAJESTY'S TREASURY	<p>(a) Value for money target set for the majority of functional commands. New Finance Systems Adviser advising line management on how they can improve their financial systems.</p> <p>(b/c) Further delegation to budget holders being taken forward.</p> <p>(d) Line managers alert to help available from CIR services. Further thought being given to informing outstationed staff.</p> <p>(e) Accepted. Costs and benefits of staff inspection quantified and consideration being given to extending this to other CIR work.</p>	<p>Management Services, Internal Audit, FMI/Planning Board Secretariat and Office Services are brigaded together under one Grade 5 command. The work programme for the command is agreed jointly, and regular coordination meetings are held. Frequent consultation takes place between the different CIR services on individual projects.</p>
WELSH OFFICE	<p>(a) Value for money target set for the majority of functional commands. New Finance Systems Adviser advising line management on how they can improve their financial systems.</p> <p>(b/c) Further delegation to budget holders being taken forward.</p> <p>(d) Line managers alert to help available from CIR services. Further thought being given to informing outstationed staff.</p> <p>(e) Accepted. Costs and benefits of staff inspection quantified and consideration being given to extending this to other CIR work.</p>	<p>Management Services, Staff Inspection and computer services in the same Division. Economists and Statisticians in a separate Division although under the same Under Secretary. A Steering Group supervises the Department's application of advanced technology. Work programmes of CIR services to be exchanged.</p>

	RECOMMENDATION 3	RECOMMENDATION 4	RECOMMENDATION 5	RECOMMENDATION
PSA	Internal Audit has been retained as an independent function but close formal links with other CIR services have been established to coordinate planning.	(a) Accepted in principle, except those in audit and functional specialisms, have only been engaged on CIR work for less than two years.	Pilot system of budgetary control being trialled in three organisational units will be manually based but the experience gained will enable the requirements of the computer assisted system to be determined. The management support group will be involved in developing the full system.	All CIR work programmes are coordinated by the top management secretariat and approved by the Executive Board. Current investigations are concentrating on the fundamental problems facing the Agency.
RM	Internal Auditors are external commercial accountants.	(a/b) Accepted.	Resource control by budget already implemented.	Accepted.
SO	Internal Audit separate. Coordination with CIR units to be improved.	(a) Accepted although flexibility will need to be retained in cases where extensive or expensive training was involved. (b) Accepted.	Support for line management during the transitional period before the implementation of resource control by budget, will be supplied by the Financial Management Review Team working in tandem with the Central Budget Unit and from an augmented departmental training effort. CIR services have contributed to designing budgetary control systems.	Work programmes of CIR units approved by senior management group.
DTI	Internal Audit separate. Arrangements made to improve cooperation with other CIR services by consultation on work programmes and liaison on assignment work. Arrangements to be reviewed in 1987/88.	(a/b) Accepted as a general guideline.	Work on the shift to budgetary control will have a high priority for the Management Support Group but it also has a heavy continuing work programme on other relevant tasks.	Staff Inspection, Internal Audit and the major elements of Management Services work programmes are submitted to the Resource Management Group. RMG satisfies itself that CIR resources use corresponds with departmental priorities and reflects top management's wishes and needs.
DTp	Internal Audit is a separate independent function reporting to the Permanent Secretaries' Audit Committee. Instone Report has made recommendations for closer cooperation with CIR.	(a/b) Accepted in principle. Already departmental practice subject only to the need to retain a cadre of 'semi-specialist' skills such as operational research and computer support services.	Development of budgetary control, management accounting systems and other management information systems will continue to be the main priority of all Divisions concerned with the implementation of the F.M. In time a consultancy role will develop for those Divisions not currently providing such a service through their CIR duties.	Senior management approve annual work programme for inspection and concern themselves with the strategic deployment of consultancy services. Senior management currently considering how to more systematically review use of consultancy and management use of the services. Accept that senior management should concentrate on problem areas of wide significance.
HMT	Internal Audit is an independent function grouped with other CIR services. It has an independent reporting line to the PEFO and the Accounting Officers, which is reinforced by the presentation of an Annual Report to top management.	(a/b) Present practice.	The establishment of the budgeting is a major task of the Planning Board Secretary (although the other Principal commands have also been involved). Other CIR staff are mainly involved in providing advice to line managers so that they have the support they need as their budgeting responsibilities develop.	The work programme for CIR services systems is approved by senior management.
WO	Internal Audit separate. Improved arrangements for cooperation with other CIR services. Prospective work programme and reports exchanged.	(a) Accepted as a general guide but flexibility is necessary. (b) Accepted.	Shift to resource control by budget will be a main preoccupation of both Finance and Establishments Groups over the next few years, including newly appointed Finance Systems Adviser and an accountant to be recruited shortly. CIR services will provide help as necessary.	Senior management approval of work programme being extended to cover Management Services as well as Staff Inspection.

MAIN CENTRAL CIVIL SERVICES

Service	Staff (exc. clerical support)	1985-86 budget £'000	Results
<p><u>Staff Inspection</u></p> <p>The Staff Inspection and Evaluation Division of the Treasury (SIED) prescribes and advises on policy and techniques of staff inspection and work measurement (including productivity and efficiency schemes). It provides a fieldforce in support of Expenditure Divisions' running costs control responsibilities. For each Department, there is also a nominated specialist who provides advice to and monitors performance of the departmental inspectorate by taking regular part in the inspection programme. In addition, SIED trains departments' staff inspectors.</p>	28	526	<p>The majority of assignments are selected by Expenditure Divisions to support their responsibilities for scrutiny of departmental running costs, including manpower. Outputs are included in departmental inspection figures. Other outputs for sponsors cannot command numeric values. To a degree, the service-wide staff inspection performance figures are relevant, although SIED has no direct control over these. Departmental staff inspectors attendance of SIED courses is monitored.</p>
<p><u>Management Services</u></p> <p>The Management and Efficiency Group of the Cabinet Office (MPO) is concerned with promoting best management practices throughout the Civil Service with emphasis on the most economic and efficient use of resources.</p> <p>ME1 leads multi-departmental reviews using the scrutiny techniques and monitors the action taken after reviews have been approved. It is also responsible for policy and practice on certain incentives to improve efficiency; departmental staff suggestion schemes; awards to inventors; and group incentive schemes; and on the Government's dispersal programme and location of Government work.</p> <p>ME2(C) is responsible for policy and practice on information management, management services and employment of management consultants. It undertakes reviews of activities common to several Government departments and disseminates guidance on good management practices on a wide range of subjects such as stores and stockholding, the management of office services, and record management. It also aims to develop the capacity to undertake consultancy work in support of central initiatives both at the centre and in departments.</p>	8	287	<p>Much of the work of the ME Group is selected with an eye to the potential measurable benefits and to opportunities for achieving substantial and worthwhile improvements eg through the issue of guidance on best management practices supported by arrangements to promote its implementation (eg the setting up of the Central Unit on Purchasing).</p>
<p><u>Management Accountancy</u></p> <p>The Management Accountancy Advisory Branch (part of the Accountancy Finance and Audit Division of the Treasury-AFA) advises Expenditure Divisions and operating departments on the development of accountancy systems, the use of costing and accountancy techniques and how these can help the management control process. It focuses particularly on the development of management accounting and budgetary control. AFA also produces the guide on fees and charges and the ready reckoner for staff and other costs.</p> <p>AFA (MPO), an out-post of the Treasury AFA Division, provides accountancy support and advice to the ME Group and to MPO as a whole.</p>	20	643	<p>The development of budgetary control systems in departments has resulted in a growing demand for advice and assistance, both from Departments and from Expenditure Divisions in the Treasury.</p> <p>The cost of work done on different activities for different customers is measured. The benefits are hard to quantify but indicators of the value of management accountants' contribution include the comprehensiveness of budgets and the improvement of financial results on fees and charges.</p>
<p><u>Internal Audit</u></p> <p>The Internal Audit Development Branch of AFA is responsible for the development of internal audit in departments. It provides advice and assistance on procedures, practice and structure and coordinates the activities of tuition and training. The Branch produces the Government Internal Audit Manual.</p>	12	225	<p>The Branch is still working under a 5 year plan, set up in March 1981 after a critical PAC hearing on internal audit. A number of tasks are identified within the whole programme which are picked up in time budgets set annually on the basis of work left to be done. There are also programmes of continuous review of both performance of departmental internal audit units and the delivery of internal audit training. The ultimate measure of performance will be contained in the NAO's report to PAC at the conclusion of its 1986 review of Internal Audit in the Civil Service.</p>

Service

Information Technology

The Departmental and Project Support Division of the Central Computer and Telecommunications Agency (CCTA) supports departments in formulating technology strategies and in carrying through specific IT projects and advises Treasury Expenditure Divisions that have responsibilities for approving IT expenditure. It includes also CCTA's Systems Consultancy Service which aims to provide intensive high-level, mainly short-duration consultancy to departments.

The small Systems Unit of Information Engineering Division provides a bespoke microcomputer systems implementation service to departments

Staff (exc. clerical support)

89
(+ 8 external consultants)

26

1985/86 budget £'000

3,500

500

Results

Participation in departments' strategic planning focuses the breadth of CCTA's experience on the planning process. Managed progressive reductions of project-specific support is planned. 33 consultancy studies were completed in 1984 of which 17 addressed aspects of departmental strategy, 10 were high-level feasibility studies and the remainder management and technical reviews. This level of activity will be maintained at about 35 assignments per year.

IT bespoke systems implemented 1984-85. Costs recovered from departments on a fixed price basis.

Operational Research

The Operational Research Division of the Treasury is primarily concerned with providing OR advice within the Treasury. Its main work for Departments is the dissemination of ideas on output measures, performance indicators and related matters.

The output of the OR division is constantly under review, via work planning meetings with customers, and through occasional value-for-money audits of its own output. The final output is mainly increased value for money in the spending departments.

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