



10 DOWNING STREET

PRIME MINISTER

You have expressed some interest in the work of the Comptroller and Auditor General's Department, and you agreed that a consultation paper should be published.

You might like to glance at Sir Derek Rayner's comments below on the Green Paper.

17 March 1980

MAP

A large, stylized handwritten signature in dark ink, appearing to be 'M' or 'M.P.', written over the date.

cc Cabinet
M/Trans
CO

HS

27 February 1980

The Prime Minister has seen the Chief Secretary's minute of 21 February, in which he seeks her approval to publish as a Green Paper a study of the role of the Comptroller and Auditor General.

The Prime Minister is content that the Chief Secretary should go ahead as he proposes.

I am sending copies of this letter to the Private Secretaries to other recipients of Mr. Biffen's minute.

M.A. PATTISON

A.C. Pirie, Esq.,
H.M. Treasury.

578



Gat Mach

H M Treasury

29

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 5362

Sir, Anthony Rawlinson KCB
Second Permanent Secretary
Public Services

C A S S Gordon Esq
Clerk of the House of Commons
House of Commons
LONDON SW1A 0AA

17 March 1980

Dear Gordon

I am writing at the suggestion of the Chancellor of the Duchy of Lancaster to draw your attention to certain ideas discussed in the Government's recent Green Paper (Cmd 7845) about the role of the Comptroller and Auditor General. I enclose a copy.

Some of these ideas could have implications for the House authorities.

Part 4 refers to the possibility of control of staffing and grading of the Exchequer & Audit Department being transferred from the Civil Service Department to the House of Commons Commission. This idea was put forward in reports by the former Expenditure and Procedure Committees in the last Parliament.

As it states, the Green Paper is intended to provide the basis for discussion both with the relevant Parliamentary Committees and with other. The Government have not yet taken firm decisions on the matters raised in it. Any move in the direction of transferring control of the E & AD staffing matters to the House of Commons Commission would in any event almost certainly require legislation.

I should be happy to receive any observations you wish to make on this, and indeed on any part of the Green Paper; or to arrange a meeting if you would like that.

The Green Paper asks for comments by 31 July. Whether the Parliamentary Committees concerned will be ready to report by then remains to be seen. I would expect Ministers to want to return to the matter in the autumn.

I am sending a copy of this letter to the Clerk of the Parliaments, to the Comptroller & Auditor General; and to the Private Secretary to the Chancellor of the Duchy.

Yours sincerely
Anthony Rawlinson

ANTHONY RAWLINSON



Chancellor of the Duchy of Lancaster

cc: Mr Hyde
Mr Pattison (No 10)

Bob Mail
MAD
PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

11 March 1980

Jean Alistair

GREEN PAPER ON THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL

The Chancellor of the Duchy has seen with interest the draft Green Paper on the role of the Comptroller and Auditor General. He does not want to make any comments at this stage on the merits of the proposals discussed in Part IV of the Paper dealing with the status of the Comptroller and Auditor General and his staff. These proposals would, however, if implemented, have major implications for the House authorities, and the Chancellor of the Duchy hopes that it will be possible to give the Clerk of the House, as a matter of courtesy, some forewarning of the publication of the Green Paper containing these proposals.

Yours sincerely

Petra Laidlaw

MISS PETRA LAIDLAW
Private Secretary

A C Pirie Esq
Private Secretary to the Chief Secretary
HM Treasury
Whitehall



BF 14/3
Gort. Mod
MA

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~XXXX XXXX~~ 233-8224

10 March 1980

Sir Anthony Rawlinson KCB
HM Treasury
Parliament Street
London SW1

THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL

Thank you for your letter of 22 February and for the enclosed draft Green Paper, which I found a most readable and interesting document. I should like to make the following comments, some on the text as a draft, some on the issues.

General

2. The draft says nothing about the numbers or professional training of EAD staff or about the coverage of their work, eg about how much time they spend on the basic, financial and regularity audit of departmental accounts, on examining the efficiency and economy with which funds are spent and on investigating the effectiveness of programmes and projects in meeting established policy goals. That leaves me with no real grasp of the nature of the instrument the paper is addressing - who the staff are, where they are or what they do. It is therefore hard to apply oneself authoritatively to the first question raised in paragraph 5, mainly "What kinds of audit should the C & AG undertake?".

3. My second point follows on: what are the effects of traditional EAD audit and the extension "in appropriate cases into effectiveness audit" (paragraph 11)? I am feeling for the kind of results produced, both for Parliament and the public service, of conventional and newer audit in terms of the practices and behaviours of institutions on the one hand and of actual benefits in particular cases on the other. For example, are Ministers satisfied that the C & AG's audit function is producing institutional and particular results worth having? Are there practical examples one can quote in explanation of the "further extension of VFM audit" in paragraphs 11 and 16, for instance? And what view does the Treasury take, in the light of recent practice, for the correct balance of

effort as between basic, VFM and effectiveness audits (see paragraphs 18 and 20)?

4. A related point to which I attach great importance is the way in which the auditor presents himself and is perceived. In our business, I regard our auditors as allies, very much part of the team. It is a pity if the auditors in Government are regarded as unfriendly but if their skill lies only or mainly in playing a checking role they are bound to be seen so. To my mind it is a great waste of an important national asset if the EAD is always used by Parliament as a witness for the prosecution. Nor do I believe that Parliament can make sound judgements on the behaviour of the Executive if all the evidence it receives is of failure or rule-breaking. I would like to see EAD bringing examples of good management as well as bad before Parliament. This would help produce a much needed change in the climate of opinion in Westminster and in Whitehall. But obviously this depends on EAD having staff who know good management when they see it.

5. Thirdly, I am struck by the draft's references to lack of or limitation on definition, as in paragraphs 12 and 20. I have some sympathy with the traditional British virtue of avoiding being explicit in defining powers and relationships, but I should think there would be substantial merit if the EAD Acts are to be revised in indicating with reasonable precision how the C & AG and his staff are expected to spend their time, and what skills they should develop. In the case of paragraphs 20 and 21, I do not see how the C & AG can do good work on the adequacy of departmental systems without also doing some independent work on the effectiveness and value of particular policy instruments, because systems have to be tested by reference to examples of the work they are supposed to control. Nor do I see, under existing arrangements for supporting Select Committees where they can look for independent, professional assessments of policy instruments unless to the C & AG.

6. I therefore applaud the idea (paragraph 24) that the C & AG's power to audit particular bodies should be provided for "by statute wherever practicable", provided of course that this does not exclude important classes of or particular institutions from examination.

Range of the C & AG's audit

7. While I take the point that Ministers' technical responsibility for public funds transferred to companies does not extend beyond making the payment provided for by Parliament (paragraph 30), I think it would be worth stating here how the taxpayer is assured that his tax pound has been properly and effectively spent. Similarly, at the end of paragraph 31, it would be helpful to establish who decides whether the C & AG's audit and inspection should be extended to a particular "public funded body".

Local authorities

8. I am aware of Mr Heseltine's interest in establishing an "Accounts Commission for Local Government" and of its relevance to what is said in paragraph 41 about strengthening DAS arrangements. But I find the contrast between paragraph 37 and the last sentence of paragraph 41 a bit too stark for comfort. I sympathise with the drift of paragraph 41, but I think that it would be worth a sentence or so more to explain the conundrum in accountability terms represented by:

- the constitutional autonomy of local authorities
- / the fact that they are nonetheless funded to a large extent by national taxation
- the restrictive nature of local government Ministers' accountability to Parliament for the money spent through RSG
- / the absence of any local authority accountability to Ministers or Parliament for that money
- the specific nature of Parliament's "legitimate interest" in respect of money voted by it to pay for RSG.

9. The text might also speculate briefly on what Parliament might do "while respecting the autonomy of individual local authorities". (You might like to know, by way, that the Director General of the GLC told us over lunch in the Members' splendid dining room at County Hall the other day that RSG should be regarded as general tax money, that it was not especially relevant that it came from Parliament rather than from local property taxes and that it was a misconception to suggest that there should be an accountability for it separate from that of Members to their local electorate. I have always regarded this as a very odd idea.)

Nationalised industries

10. Does paragraph 50 mean that the Government is satisfied that nationalised industries are efficient and have appropriate means of promoting their own efficiency, again recognising that some industries have large subsidies?

Status of the C & AG and his staff

11. This is a very interesting section on which I have these points:
- a. To whom, if anyone, does the C & AG report (paragraph 56)?
 - b. I see the reference to "an obsolete conception of the Treasury role in the control of public spending" (paragraph 57). It would be helpful if the current conception were stated to help point out the distinction between what the Executive does for itself and what the EAD does on behalf of (presumably) Parliament.

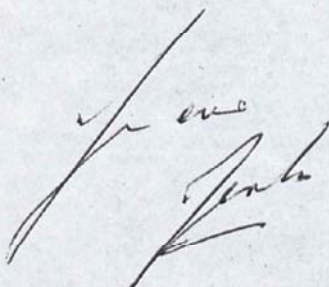
c. Who fills the post of/appoints the C & AG (paragraph 61)? My first impression is that who appoints and pays the C & AG must be assumed to have some hold over him, however tenuous, and I would not myself be all that strongly opposed to the idea of C & AG being a servant of Parliament. Are the Speaker and the Clerk of the House of Commons regarded as having insufficient independence because they are servants of the House?

d. I do not see why it would be undesirable for the C&AG to be directed by the House or a Select Committee to undertake enquiries (paragraph 62). Parliament might make mistakes - we all do - but I would think it an important strengthening of its capacity to look after the taxpayer's pound.

Annex A

12. I note in paragraph 3 the limitation on appropriation accounts with which we are all familiar. As you know, I am keen that Ministers should have an account of the value of assets in their keeping and that the Government should progressively move away from the restrictive concept of an account of the flow of receipts and payments to that of an account of stock as well as flow.

13. I am copying this to the Prime Minister, the Chancellor of the Exchequer and the Chief Secretary.

A handwritten signature in dark ink, appearing to read 'Derek Rayner', written in a cursive style.

DEREK RAYNER



Secretary of State for Industry

VMA
 DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

Govt Mach

3. March 1978

The Rt Hon John Biffen MP
 Chief Secretary to the Treasury
 HM Treasury
 Parliament Street
 London SW1

John Biffen

Thank you for sending me a copy of your minute of 21 February seeking the Prime Minister's agreement to publishing the proposed Green Paper on the role of the C & AG.

I confirm that my views on the handling of the question of providing for C & AG access to the books of the National Enterprise Board are as described in paragraph 8 of your minute. I should be content for the text you enclosed to be published as a Green Paper, subject to a minor change in the wording of paragraph 52 which I understand has been agreed between our officials.

I am sending copies of this letter to the Prime Minister and the other recipients of your minute.

Eric Lewis

Govt Mail
MAJ

RESTRICTED



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

MO 21/8/5

3rd March 1980

Dear John,

GREEN PAPER ON C&AG's ROLE

Thank you for your minute of 21st February 1980 circulating the draft Green Paper. I am in agreement with your view that the paper be kept "deliberately green". The problems that could arise if the Controller and Auditor General were given too wide a statutory or discretionary remit, in particular on matters of policy, seem to me to call for a very cautious approach.

I am copying this letter to the recipients of yours.

Jasper

Francis

Francis Pym

The Rt Hon John Biffen MP

RESTRICTED

RESTRICTED



DEPARTMENT OF THE ENVIRONMENT

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES

28 February 1980

Dear John,

GREEN PAPER ON THE ROLE OF THE COMPTROLLER AND AUDITOR GENERAL

In Michael Heseltine's absence from the office, I am responding to your minute of 21 February to the Prime Minister covering the draft Green Paper.

My interest relates primarily to the references to local authorities in paragraphs 37-41. I am content with paragraphs 37-40 and with the first 3 sentences of paragraph 41 which will provide a useful jumping-off point for whatever initiatives we decide to take on local authority audit and efficiency matters following the recent exchanges between colleagues. I am less happy however with the final sentence of paragraph 41 which appears to imply the possibility of developing a closer Parliamentary involvement in local authority affairs which I do not think would be appropriate. I would greatly prefer to see this sentence omitted.

I am copying this letter to the recipients of your minute to the Prime Minister.

TOM KING

Rt Hon John Biffen MP