



cc: Sir Derek Rayner's office
19/3

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

Yes please
not

Prime Minister

The main points are brought out in comments from Derek Rayner's office at A.

Would you like us to comment on your behalf as in draft at B, or would you prefer just to give a general blessing?

ACCOUNTING OFFICERS MEMORANDUM

I think you should know that I propose to authorise the Treasury to take into use a revised version of the Memorandum sent to Accounting Officers when they are appointed.

..... 2. The attached note (A) explains the purpose of this document, and discusses points in the revision to which attention should be drawn. The full text of the new version is annexed (B), together with the old version (C).

3. I am satisfied that the new version is a useful improvement on the old. It fits in with the work being promoted by Sir Derek Rayner to define management responsibilities more clearly and specifically. The clarification of the relationship between the Accounting Officer and his Minister, and the affirmation of the supremacy of Ministerial authority, support the emphasis we are giving to Ministerial responsibility for management.

4. The note (A) discusses the comments of the PAC. I do not consider that these call for any delay or modification of the Memorandum. The Committee clearly expect it to be taken into use. That is what I propose. I shall see that the Committee are informed by some convenient means.

5. I am sending a copy of this minute to the Lord President.

(G.H.)

16 March 1981

REVISION OF THE ACCOUNTING OFFICERS MEMORANDUM

Under the Exchequer and Audit Departments Act 1866 the Treasury appoints for each Parliamentary vote an Accounting Officer, who has the duty of signing the accounts and appearing before the Public Accounts Committee as the principle witness at hearings on those accounts. In a Government department the Accounting Officer is normally the Permanent Secretary. On appointment, Accounting Officers are sent a memorandum setting out the duties involved.

2. This memorandum has been redrafted from time to time. The version currently in use dates mainly from the early 1950s. The most recent significant revision was in 1975, after an episode which attracted some publicity when the Accounting Officer of the Department of Industry protested against certain decisions taken by the then Secretary of State, Mr Benn.

3. A further revision is timely. The version now proposed has been worked up by the Treasury and the CSD, and reflects consultation with a number of Accounting Officers.

Sir Derek Rayner was associated with the work.

4. The new version is more precise and more accurate than the old on many points. It deals more specifically with various special cases, such as the additional Accounting Officers appointed in certain major departments, and with certain non-departmental bodies.

5. It usefully foreshadows, and is consistent with, other current work on the relationship between the Treasury and CSD on the one hand and spending departments on the other, and the work being developed in association with Sir Derek Rayner on defining more specifically the responsibilities of Ministers and Permanent Secretaries and other officials.

6. The Public Accounts Committee were consulted during their recent hearings on the role of the Comptroller and Auditor General (see below).

Significant changes

7. Attention should be drawn to two main changes of some substance in the new version.

8. First, it omits reference to the traditional doctrine that an Accounting Officer may be personally liable to refund expenditure deemed by the PAC as improper. Legal advice is that there is no basis for this doctrine either in law or in House of Commons procedure. In modern conditions it is not realistic : the sums of money which in practice engage the attention of the PAC are far too large. The PAC Chairman himself suggested in an earlier hearing that it might sensibly be dropped, and the PAC have made no reference to the omission in their comments.

9. Second, the new text makes clear that, while the Accounting Officer has certain specific responsibilities towards Parliament, these are ^{different} from and consistent with his main responsibilities towards his own Minister. The supremacy of Ministerial authority is stated unequivocally.

? NO
(we are checking)
M/R

10. The old text implies, somewhat confusingly, that an Accounting Officer may be responsible simultaneously, and possibly conflictingly, both to his own Minister and to Parliament. This reflects some widely-held beliefs, but both their constitutional logic and their historical pedigree are shaky. It is better to set the responsibilities of the Accounting Officer for economy and efficiency specifically within the framework of Ministerial responsibility and accountability. In practice it will not change the function of the Accounting Officer in relation to the PAC.

11. The PAC were interested in this point. This is reflected in their comments annexed. However, while they express some doubt, the positive recommendation at the end of the passage proposes a definition of the Accounting Officer's responsibilities to Parliament precisely in line with the revised memorandum. In any event, as the PAC recognise, this memorandum is an internal Government document, and they do not suggest any further amendment of it. Rather, the PAC Report assumes that the new version is to be taken into use. It is recommended that this should now be done.

11 March 1981

THE RESPONSIBILITIES OF AN ACCOUNTING OFFICER

A Permanent Secretary (or permanent head of a minor department who may be of lower rank) is appointed by his departmental Minister with the approval of the Prime Minister. Among his other responsibilities, he is responsible to his Minister for the propriety and regularity of his department's expenditure, and for prudent and economical administration. All his functions are governed by the two fundamental principles, that it is the Minister in charge of a department who is responsible to Parliament for all aspects of its policies, organisation and management, and that officials derive their authority from the Minister in charge of their department and are accountable to him for their actions.*

2. In most cases the Permanent Secretary is the Accounting Officer for Votes and accounts administered by his department. In certain departments Accounting Officer responsibility for certain Votes or other accounts is sometimes assigned to very senior officials other than the head of the department, usually of the rank of Second Permanent Secretary. The position of these other departmental Accounting Officers, in so far as it differs from that of permanent heads, is described in paragraphs 19-20 below. The duties of Accounting Officers for non-departmental bodies are described in paragraphs 21-25.

3. Appointment as Accounting Officer is made by the Treasury in compliance with Section 22 of the Exchequer and Audit Departments Act 1866. It lays on the appointee the personal duty of signing the accounts specified in his letter of appointment and, by virtue of that duty, the further duty of being the principal witness on behalf of the department before the Committee of Public Accounts (PAC), to deal with questions arising from those accounts. From these duties flow certain responsibilities which are in any event part of the responsibilities of a Permanent Secretary, but which are traditionally associated with, and emphasised by, his role as Accounting Officer. It is these responsibilities which are the subject of this memorandum.

* This paragraph describes the common case of a Government department with a departmental Minister and a permanent head. In some cases the machinery of appointment is different, and specific powers may be vested in, for example, the Commissioners of Inland Revenue, and Customs and Excise, or in certain named office-holders, so that to this extent they may have authority not derived from Ministers. Nevertheless Ministers remain answerable for them to Parliament. The principles set out in the rest of this paper are therefore relevant to the Accounting Officers for these departments too.

4. The standard practice of appointing the permanent head of a department as the Accounting Officer for that department's Votes and accounts reflects the view that finance is an inseparable element in most policy questions, and financial responsibility an inseparable part of efficient organisation and management. The permanent head is the only official in a position to discharge responsibility as a whole for the money entrusted to the department, for its resources of manpower, and for the control of assets in its keeping such as land, buildings or other property.

5. The responsibilities of an Accounting Officer can be summarised as follows:

- (a) He must sign the Appropriation and other Accounts assigned to him. Although the underlying accounting work will have to be carried out by members of the department on his behalf, the Accounting Officer's signature implies personal responsibility for the correctness of the account and, in the case of a trading account, that in his opinion it is properly drawn up so as to exhibit a true and fair view of the transactions and state of affairs of the services to which it relates. In the case of other accounts, known as "White Paper" accounts, prescribed by specified legislation, for example in regard to advances to nationalised industries, the legislative context generally determines the nature and extent of the Accounting Officer's responsibilities.
- (b) He must ensure that correct financial procedures are followed, including specifically those mentioned in paragraphs 7 and 8 below; and more broadly that the accounts for which he is responsible are maintained in a form suited to the requirements of management as well as in the form prescribed for Vote accounting purposes.
- (c) He must ensure that the public funds for which he is responsible as Accounting Officer are properly safeguarded, with independent and effective checks, made without reference to personal considerations, of cash balances in the hands of any official. Similar care, including checks as appropriate, must be taken of stores or any public property.

- (d) He must ensure that, in the consideration of policy proposals relating to the expenditure or income for which he is Accounting Officer, all relevant financial considerations are taken into account, and where necessary brought to the attention of Ministers with appropriate emphasis and in an appropriate form. These considerations include the need for economy and the avoidance of extravagance or waste.
- (e) Similarly he must ensure that in the implementation of expenditure programmes as authorised by Ministers proper regard is given to economy and the avoidance of waste.

6. Proper management of expenditure includes the preparation of the material on which decisions are taken; the efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services (scientific, statistical, accountancy, O & M etc) for handling particular problems, and the selection and training of staff. Good management requires effective delegation. A person appointed to be an Accounting Officer cannot perform himself, or even closely supervise, all the various procedures needed to carry out his responsibilities. He must make sure that his department is organised and staffed on sound lines, particularly in the finance and establishment branches so as to provide for proper delegation of duties. He should pay particular attention to the adequacy and effectiveness of arrangements for internal audit. The officer in charge of this function should normally be responsible to the Principal Finance Officer, with direct access to the Accounting Officer where necessary.

Regularity and Propriety of Expenditure

7. An Accounting Officer has a particular responsibility for ensuring compliance with Parliamentary requirements in the control and management of expenditure. A fundamental requirement is that the funds for which he is responsible should be applied only to the extent and for the purposes authorised by Parliament. In the case of voted expenditure he must ensure that any payments made are within the ambit and amount of the Vote, and that Parliamentary approval has been sought and given. In cases not covered by the original estimate, eg in connection with a service not contemplated when the original estimate was presented, or where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, he must

ensure that Parliamentary approval is sought and given at the earliest opportunity by way of a Supplementary Estimate, or if necessary Excess Vote. In cases involving losses or special payments, he must ensure that Parliament's attention is drawn to the matter by suitable notation of the Appropriation Account.

8. The Accounting Officer is responsible for ensuring that specific Treasury or Civil Service Department sanction for the expenditure has been obtained in all cases where it is required. It is required for any expenditure not covered by any standing authorities delegated by the Treasury or the Civil Service Department to the Department. It is required before expenditure is incurred on any subhead of a Vote in excess of the amount specified for that subhead in the Estimates, even though savings may be available elsewhere and the expenditure itself falls within the delegated authority of the department. Expenditure may never be incurred in excess of the total net sum authorised by Parliament to be spent on any one Vote, save where a temporary advance from the Contingencies Fund has been sanctioned by the Treasury, in which case as mentioned in paragraph 7 Parliamentary approval for its repayment must be sought at the earliest opportunity. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the Votes and accounts for which he is responsible.

Relations with the Minister

9. The Accounting Officer has particular responsibility to see that appropriate advice is tendered to Ministers on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration. He will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to his own duty as Accounting Officer to justify to the PAC his department's expenditure.

10. If the Minister in charge of the department is contemplating a course of action involving a payment which the Accounting Officer considers would infringe the requirements of propriety or regularity, the Accounting Officer should set out in writing his objection to the proposed expenditure and the reasons for his objection. If the Minister decides nonetheless to proceed, the Accounting Officer should seek a written instruction to make the payment. Having received such an instruction, the Accounting Officer must comply with it, but should then inform the Treasury (who will in turn inform the Civil Service Department where appropriate) of what has occurred, and should also communicate the papers to the Comptroller and Auditor General. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the expenditure.

11. If a course of action is in contemplation which raises an issue not of formal propriety or regularity but more widely of prudent and economical administration, it is the duty of the Accounting Officer to draw the relevant factors to the attention of his Minister and to advise him in whatever way he deems appropriate. He may think it right to refer to the possibility of criticism by the PAC. If his advice is overruled, he should ensure that both his advice and the overruling of it are apparent clearly from the papers.

Appearance before the PAC

12. An Accounting Officer appears before the PAC to answer their questions concerning the expenditure from the Votes and other accounts for which he is Accounting Officer and related activities. He may be supported by other officials, who may, and commonly do, join in giving the evidence.

13. The Financial Secretary to the Treasury is formally a member of the Committee but rarely attends. Treasury officials regularly attend Committee hearings and are usually asked to comment on the evidence. They then speak as representatives of the Executive and subject to collective Ministerial authority, but are expected to comment from the standpoint of the department which has the formal responsibility for presenting Estimates to Parliament and for prescribing the form of accounts. This goes with the Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.

14. The Accounting Officer will be expected to furnish the PAC with explanations of any indications of irregularity, waste or extravagance or inefficient administration, or weakness in financial procedure, to which their attention has been drawn by the Comptroller and Auditor General or about which they may wish to question the Accounting Officer.

15. In practice, the Accounting Officer will have delegated authority widely, but he cannot on that account disclaim his responsibility. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before he assumed his appointment; the Committee may be expected not to press his personal responsibility in such circumstances.

16. The Committee have emphasised the importance they attach to accuracy of evidence, and the responsibility of witnesses to ensure this. The Accounting Officer should ensure that he is adequately and accurately briefed on matters on which he gives evidence. He may ask the Committee for leave to supply information not within his immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earliest possible moment.

17. In general, the rules and conventions governing appearances of officials before Parliamentary Committees apply to the PAC, including the general convention that civil servants do not disclose the advice given to Ministers. Nevertheless, in a case where the procedure described in paragraph 10 was used concerning a matter of propriety or regularity of expenditure, the Accounting Officer's advice and its overruling by the Minister, would be disclosed

to the PAC. In a case where advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration it will be appropriate for an Accounting Officer, questioned about the matter at the PAC, to lay stress on the fact that it was a decision by his Minister. He should seek to avoid disclosing advice given to his Minister, but should be ready to explain the reasons for the Minister's decision and may be called on to satisfy the Committee that all relevant financial considerations were brought to the Minister's attention before the decision was taken. It will then be for the PAC to pursue the matter further with the Minister if they so wish.

Absence of Accounting Officer

18. The PAC may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the Appropriation Account in time to render it to the Comptroller and Auditor General, the department may render unsigned copies pending his return. If the Accounting Officer is unable to sign the Account in time for printing the department should ask the Treasury to appoint an interim Accounting Officer.

Additional Accounting Officers

19. Where one or more senior officials, other than the permanent head of the department, are appointed as Accounting Officers for certain Votes or accounts, there should be a clear understanding of their relationship not only with their Minister but also with the permanent head. The permanent head remains in general charge of the department, and in particular, of its organisation, management and staffing and department-wide procedures in financial and other matters. He must ensure that these promote the efficient and economical conduct of all its affairs, and safeguard financial propriety and regularity throughout the department. It is within that framework that any additional Accounting Officers are responsible for the Votes and accounts assigned to them. In matters affecting their responsibilities as Accounting Officer, their judgement

should only be overridden by or with the specific agreement of their Minister. In such cases the Minister may also seek the views of the permanent head.

20. The position of an additional Accounting Officer when he appears before the PAC is thus different from that of a permanent head who carries full responsibility under his Minister for the organisation and management of his department as a whole. An additional Accounting Officer is however able, on the basis of his discharge of his own responsibilities, to answer most questions which may be raised by the PAC concerning expenditure and activities in his field. If PAC questioning is directed to matters determined by the permanent head and the additional Accounting Officer finds himself in difficulty in responding, the Committee could be expected to accede to a suggestion that they seek evidence from the permanent head as well as from the Accounting Officer for the expenditure under discussion.

Accounting Officer Appointments in Non-Departmental Bodies

21. The Treasury also appoints Accounting Officers for some non departmental public bodies (eg the Manpower Services Commission, most museums and galleries, the Scottish and Welsh Development Agencies and the Research Councils). Appointments of this kind are made by analogy with appointments of Accounting Officers in departments. The normal practice is to appoint the senior full-time officer of the body. Those so appointed have broadly the same duties as Departmental Accounting Officers as described above and exercise them on behalf of the office holder or holders in charge of the body. With the exception of bodies (such as museums and galleries) with their own Vote, the responsibilities of these Accounting Officers are confined to the grant in aid account of the body which is financed from the Vote of its sponsoring department.

22. Whether or not a grant-aided body has its own Accounting Officer, the responsibility of the Accounting Officer in the sponsor department is to ensure that the conditions attached to the grant-in-aid conform with the terms of the Vote; to monitor compliance with these conditions by the body; and to satisfy himself that the financial and other controls applied by the department are appropriate and sufficient to safeguard public funds. Among other things he will need to satisfy himself about the quality of its management. The Accounting Officer of the body in receipt of the grant-in-aid has a special responsibility to see that the rules and conditions laid down by the Department issuing the grant-in-aid are observed.

23. An Accounting Officer in a grant-aided body will normally appear before the PAC alongside the Departmental Accounting Officer responsible for the payment of the grant-in-aid.

24. The absence of an Accounting Officer appointment in a non-departmental body does not lessen the nature and scope of its accountability to Ministers and through them to Parliament, or the right of the PAC to take evidence direct from the body if it wishes. The approved signatory of the accounts, normally the Chairman or Chief Executive, will, as in the case of a Departmental Accounting Officer, automatically assume a primary responsibility to answer for that body in any examination by the PAC and may be summoned to appear before the Committee for that purpose.

THE RESPONSIBILITIES OF AN ACCOUNTING OFFICER

Note by the Treasury

Accounting Officers are appointed by the Treasury in compliance with section 22 of the Exchequer and Audit Departments Act, 1866. An extract from the Act is attached.

2. It was from the outset inherent in the concept of an Accounting Officer that he should be responsible, at least in financial matters, for the work and organisation of his Department.

3. In the 1920's it came to be accepted that finance is an inseparable element in all policy questions, that financial responsibility has wider implications for efficient management, and consequently that financial and administrative responsibility should be concentrated in one person in each Department. Hence the Permanent Head of the Department came to be appointed as Accounting Officer, as the only official in a position to discharge both responsibilities. More recently some very large Departments have been created, each with a number of Votes. In these and a few other special cases Accounting Officer responsibility for some of the Department's Votes has been assigned to very senior officials other than the Head of the Department.

RESPONSIBILITY FOR EFFICIENT AND ECONOMICAL ADMINISTRATION

4. The Accounting Officer's responsibilities, in their widest sense, spring from the basic conception underlying British Government financial procedure and organisation, namely that due regard can never be paid to financial considerations if finance and administration are divorced so that finance is kept separate from other factors which enter into policy decisions.

(i) Connection between finance, policy and administration

The Accounting Officer must make sure, as a prerequisite of efficient and economical management, that financial considerations are taken into account at all stages by his Department in formulating policy proposals, and in their execution. He must be prepared to answer for the efficient and economical conduct of his Department as a whole. The Plowden Report*, using a formulation still equally relevant, emphasised the importance of management, which it defined as covering the preparation of the material on which decisions are taken; the technical efficiency with which large administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services (scientific, statistical,

* "Control of Public Expenditure", Cmnd 1432, paragraphs 44 to 47.

accountancy, O & M, etc.) for handling particular problems; and the training and selection of staff. It is on these that effective control of expenditure and value for money depend.

(ii) Avoidance of waste and extravagance

As part of this general conception, the Comptroller and Auditor General is expected by the Public Accounts Committee to bring to the notice of Parliament any cases of apparent waste or extravagant administration (as well as any weakness in financial procedure). The Committee expect the Accounting Officer to satisfy them that the policy approved by Parliament has been carried out with due regard to economy, and to furnish them with explanations of any indications to the contrary to which their attention has been drawn.

(iii) Organisation and staffing of Department

The Accounting Officer cannot carry out this responsibility for efficient management unless he is supported by a sound organisation which provides for proper delegation of duties. It is therefore one of his chief duties to make sure that the Department is organised and staffed on sound lines. In particular, he should pay special attention to the organisation and staffing of both finance and establishment branches, and should encourage close liaison between them; for these branches have a particular responsibility on his behalf for seeing that full value is obtained for the expenditure of the public funds with which the Department is entrusted.

CONDUCT OF FORMAL FINANCIAL BUSINESS

5. (i) Safeguarding of public property

It is the Accounting Officer's duty to ensure that the public funds entrusted to his care are properly safeguarded and that there are independent and effective checks, made without reference to personal considerations, of cash balances in the hands of any official. Similar care must be taken of stores or any other public property.

(ii) Regularity and propriety of expenditure

It is equally part of his duty to ensure that the funds entrusted to him are applied only to the purposes intended by Parliament. He must satisfy himself, for instance, that any payments made by his Department are both within the ambit of the Vote and also covered by specific statutory authority where necessary; and that Parliamentary approval has been sought, normally by way of a Supplementary Estimate, in all cases in which it is appropriate to do so, eg in connection with a service not contemplated when the original Estimate was taken. That this has been done is implicit in the signature of the Account.

Furthermore, the Accounting Officer is responsible for ensuring that specific Treasury sanction for the expenditure has been obtained in all cases which are not covered by any standing authorities delegated by the Treasury to the Department. Expenditure may not be incurred in excess of the total sum authorised by Parliament to be spent on any one Vote; nor may the Accounting Officer, without the prior sanction of the Treasury, incur expenditure on any Subhead of a Vote in excess of the amount specified in the Estimates, even though savings may be available elsewhere, and though the expenditure would itself fall within the delegated authority of the Department. The Accounting Officer is answerable to the Public Accounts Committee for the formal regularity and propriety, in the senses described above, of all the expenditure out of the Votes and Accounts for which he is responsible. Similarly he is expected to ensure that adequate machinery exists for the due collection and bringing to account of all receipts of any kind connected with these Votes and Accounts.

(iii) Consultation with the Treasury

If any questions are raised concerning the propriety of a particular payment, the Committee may seek the view of the Treasury; and they will normally wish to know whether the Treasury have been consulted. The Accounting Officer should, therefore, ensure that before his Department enters into any transaction the regularity of which may be called in question, the advice of the Treasury is sought. Treasury officials are present, when departmental Accounting Officers are examined by the Public Accounts Committee, and answer for any advice which the Treasury have given. This Treasury advice does not, however, absolve the

Accounting Officer from his responsibility. He should therefore also make sure that any issue of sufficient importance seriously to call in question that responsibility is brought to his personal attention even though the advice of the Treasury may already have been obtained. Relations with the Treasury are discussed more fully in paragraph 6 of this note.

(iv) Accounts other than Appropriation Accounts

This note, in general, refers to responsibility for Appropriation Accounts. Many Accounting Officers are responsible also for other Accounts. The same principles apply to these accounts. They include stock and store accounts maintained under section 4 of the Exchequer and Audit Departments Act, 1921; and accounts of trading and commercial services which the Treasury direct to be maintained under section 5 of that Act. It is implicit in the signing of a trading account that in the Accounting Officer's opinion it is properly drawn up so as to exhibit a true and fair view of the transactions and state of affairs of the services to which it relates.

Apart from the accounts required to be prepared under the provisions of the Exchequer and Audit Departments Acts, there are accounts, known as "White Paper" Accounts, prescribed by specific legislation such as that relating, for example, to advances to the Nationalised Industries. For these accounts the extent of the Accounting Officer's responsibilities will be largely determined by the nature of the legislation; and may vary from a minimum of ensuring that the sums authorised by Parliament to be paid are duly handed over and any repayments properly brought to account, to an extensive responsibility for the affairs of the organisation itself.

(v) Personal Accountability

Dereliction of the Accounting Officer's duty, set out in this paragraph, for the proper conduct of financial business, renders him liable, under the doctrine of personal accountability, to refund any expenditure which the Public Accounts Committee recommend should be disallowed. There is, however, a recognised procedure, set out in paragraph 7(ii) of this note, to protect an Accounting Officer should he be overruled by his Minister in a matter which may lay him open to a financial penalty.

6. The relationship between Departments and the Treasury was defined in the Plowden Report*:-

"The relationship should be one of joint working together in a common enterprise; it should be considered not in terms of more or less "independence" of Departments from "control" by the Treasury, but rather in terms of getting the right balance and differentiation of function.

The primary responsibility of a Department is to conduct its policy effectively within the limits laid down by the Government. The Department is itself responsible for the efficiency with which it does its work; the Permanent Secretary, as Accounting Officer, is responsible for the financial management

The Treasury is the Department with the central responsibility for economic and financial policy, the custodian of the Exchequer, and the authority for Civil Service and establishment matters.

It bears the responsibility:-

- (a) for allocating the amount of money and economic resources to be made available for each purpose to each Department;
- (b) for advising the Departments on economic and financial matters, and for assisting them to maintain proper practice in the expenditure of public money;
- (c) for the overall efficiency of the public service, and thus for seeing that the Departments are staffed, particularly at the top levels, with the best available officers ^{drawn} ~~down~~ from the Service as a whole;
- (d) for the development of management services throughout the public service; for taking the initiative in the introduction of new management techniques; and for keeping an oversight over the management practice of all the Departments;
- (e) for the settlement of pay and conditions of service, and grading of staff throughout the Service."

These principles remain fully valid today. At the time when the Plowden Report was prepared the Civil Service Department had not been set up. The subjects listed under (c), (d) and (e) above are now the responsibility of that Department. The effective discharge of the responsibilities of the Treasury and of the Civil Service Department calls for the fullest co-operation of the Accounting Officers of Departments. Their appointment by the Treasury is a mark of the responsibility which they, no less than the Treasury, have as trustees for the taxpayer.

RELATIONS WITH THE MINISTER

7. (i) Matters affecting efficient and economical administration

Senior officials must advise their Minister freely, candidly and in confidence about all aspects of the policy area for which they are responsible, including financial aspects. Where an official is also designated an Accounting Officer, he has a particular responsibility to Parliament in connection with the requirements of efficiency, financial prudence and economical resource use in the conduct of his Department, and he will from time to time need to advise his Minister from this standpoint. There is a wide range of occasions on which advice may be called for, orally or in writing; and the degree of emphasis which is necessary will vary from case to case.

It is for the Accounting Officer himself to decide how and in what terms to give his advice, and whether to make any specific reference to his position as Accounting Officer and the guidance he has received on appointment. He should, however, be ready to state clearly and explicitly, in writing, to his Minister his disagreement with any aspects of a proposal which as Accounting Officer he considers he would have difficulty in defending as a matter of prudent and economical administration before the Public Accounts Committee; and to ask for a specific instruction from his Minister on these issues if his advice is not accepted. Having done so, he must, if the Minister adheres to his decision, accept it; in which case he should support any subsequent defence of the action taken by reference as necessary to the policy ruling given by his Minister.

(ii) Matters affecting the Accounting Officer's personal accountability for the conduct of financial business

Alternatively, the matter which is the subject of the Accounting

Officer's representations may be one which involves his personal liability on a question of formal regularity or propriety, referred to in paragraph 5. In that case he should set out in writing his objection to the proposed expenditure, and the reasons for his objection, and should make the payment only upon a written instruction from his Minister overruling the objection. After making such a payment, the Accounting Officer should inform the Treasury of the circumstances and should communicate the papers to the Comptroller and Auditor General. Provided that this procedure has been followed, the Public Accounts Committee will no doubt acquit him of any personal responsibility for the expenditure.

Extract from the Exchequer and Audit Departments Act, 1866, Section 22

"On or before the days specified in the respective columns of ... Schedule A annexed to this Act, accounts of the appropriation of the several supply grants comprised in the Appropriation Act of each year shall be prepared by the several departments, and be transmitted for examination to the Comptroller and Auditor General and to the Treasury, and when certified and reported upon they shall be laid before the House of Commons; and such accounts shall be called the "Appropriation Accounts" of the moneys expended for the services to which they may respectively relate; and the Treasury shall determine by what departments such accounts shall be prepared and rendered to the Comptroller and Auditor General and the Comptroller and Auditor General shall certify and report upon such accounts..; and the reports thereon shall be signed by the Comptroller and Auditor General: Provided always, and it is the intention of this Act that the Treasury shall direct that the department charged with the expenditure of any vote under the authority of the Treasury shall prepare the appropriation account thereof: Provided also, that the term "department", when used in this Act in connection with the duty of preparing the said appropriation accounts, shall be construed as including any public officer or officers to whom that duty may be assigned by the Treasury."



u40
bc Sir D Rayner

JH

for Macle

10 DOWNING STREET

From the Private Secretary

23 March 1981

The Prime Minister has seen the Chancellor's minute of 16 March, with which he enclosed a copy of the revised version of the Memorandum for Accounting Officers. She has noted that this relates to other work which the Chancellor and Sir Derek Rayner have in hand.

The Prime Minister welcomes the clarification of the relationship between Ministers and the officials who, as Accounting Officers, represent him before the Public Accounts Committee. She has no objection to dropping the traditional doctrine of "personal liability" if it is no longer applicable. She also thinks the treatment of differences of view between Ministers and officials on matters of "prudent and economical administration" is handled reasonably in paragraphs 11 and 17 of the new version.

Whilst the Prime Minister has not gone through the new Memorandum in fine detail, she is content that it should be brought into use and conveyed to the PAC. She would like it to be circulated to Ministers at a suitable opportunity. As far as senior officials acting as Accounting Officers are concerned, the Prime Minister thinks that the dropping of personal liability should be accompanied by a firm reminder that they should obey the spirit as well as the letter of the Memorandum. The impending report by the C&AG on the state of internal audit, referred to in the Chancellor's minute of 11 March, serves to underline this.

I am sending a copy of this letter to Edward Chaplin (Lord President's Office).

M. A. PATTISON

A.J. Wiggins, Esq.,
HM Treasury.

A

Mr PATTISON

ACCOUNTING OFFICERS MEMORANDUM

1. You invited comments on the Chancellor's minute of 16 March.

Context

2. The new memorandum is relevant not only to the central/spending departments relationship and Sir Derek Rayner's work on defining the responsibilities of Ministers and Permanent Secretaries (note (A), para. 5) but also to

a. the wider and more vigorous role proposed for the Comptroller and Auditor General and a "National Audit Office"; and

b. the recent papers on Internal Audit (my minute to you of 12 March).

Background

3. The role of Accounting Officer is additional to that of Permanent Head. It reflects the willingness of Parliament to see an official instead of and on behalf of his Minister in respect of audit matters.

4. In Victorian times, it was not simply convenient for Ministers, but right within the then political and social conventions, to look to an official rather than his Minister to concern himself with the nuts and bolts of regularity and propriety. The PAC in fact retain the right to summon a Minister himself, but has not done so (I believe) for 60 years. It has however got more and more interested in the second part of the Accounting Officer's task, that of prudent and economical administration. Even so, the PAC will undoubtedly give the Service a bad time on internal audit if it suspects that it is falling down on basic regularity and propriety audit.

Sir Derek Rayner's attitude

5. Sir DR had a substantial correspondence with the Treasury last year and is now satisfied with the words in which the memorandum is expressed and with the clarification it promises. He does not like the use of the word "appoint" to describe the designation by the Treasury of an official as an Accounting Officer (compare this with the correct use of "appoint" in line 2 of the revised memorandum), but this is required under the E&AD Act 1866 and the Trading Funds Act 1973.

6. The main point is whether senior officials take their management responsibilities, including those of Accounting Officer, seriously enough. His own experience as an Accounting Officer confirms that a tremendous job of briefing is required

before PAC hearings and that junior officials put a lot into the necessary task of "protecting the Accounting Officer", not least because the PAC has been far readier to punish vice than reward virtue. However, too much of this effort is defensive and the imminent adverse report on Internal Audit shows that, even in that crucially important area of "protection", Accounting Officers generally - not universally - find it easier to obey the letter rather than the spirit of their responsibility for the items mentioned in para. 6 of the revised memorandum.

Some myths dispersed

7. There have been three important bits of magic about Accounting Officers:

a. They can in theory be made to stump up themselves for mislaid or mis-spent cash. This is now dropped (note (A), para. 8).

b. Their responsibility to Parliament is extra to their responsibility to their departmental Minister and somehow transcends it. This too is dropped (note (A), para. 9 ~~which should surely read (line 3), "these are no different from" and para. 10).~~

c. They must "shop" the Minister to the PAC if he fiddles the petty cash or is adventurous in a way inimical to prudent and economical administration. There is a passing reference to this in note (A), para. 2, but you should know that

i. no change is proposed in respect of regularity or propriety, see revised memorandum para. 10. The Accounting Officer is entitled to seek a written instruction and communicate the papers to the Treasury and the C&AG; but

ii. in respect of prudent and economical administration there is a new formulation at the end of para. 11 (which may be compared with that in para. 7(i) of the old version). Under this the threat of a complaint by the Accounting Officer to the C&AG is finally dropped in favour of simply making what has happened clearly apparent from the papers.

Prime Minister's interest

8. Apart from the point mentioned in para. 7c above, I think that a possible point of detail of interest to the Prime Minister is the reference to the appointment of a Permanent Head in the first sentence of the revised memorandum. I believe the formula used there is correct, namely "is appointed by his departmental Minister with the approval of the Prime Minister",

but you may like to check on this.

9. For the rest, the Prime Minister can, I suggest, take the detail as given and confine any point of substance to the importance of deeds rather than words.

10. I attach a possible private secretary reply, whose use depends somewhat on the reply sent or to be sent to the Chancellor's minute of 11 March on internal audit.

Sp

C PRIESTLEY
20 March 1981

Enc: Draft letter to Mr Wiggins

DRAFT OF 20 MARCH 1981

J A Wiggins Esq
HM Treasury

ACCOUNTING OFFICERS MEMORANDUM

1. The Prime Minister is grateful for the Chancellor of the Exchequer's minute of 16 March and for a sight of the revised memorandum. She has noted that it relates to other work which the Chancellor and Sir Derek Rayner have in hand.
2. The Prime Minister has not of course gone through the old and new memoranda in fine detail, but has asked me to make the following points.
3. Mrs Thatcher welcomes the clarification of the relationship between a Minister and the officials who, as Accounting Officers, represent him before the Public Accounts Committee. She has no objection to dropping the traditional doctrine of "personal liability" if it is no longer applicable; she thinks that the treatment of differences of view between Ministers and officials on matters of "prudent and economical administration" is handled reasonably (paras. 11 and 17 of the new memorandum). ~~(She takes it, incidentally, that line 3 of note (A) should read "no different from".)~~
4. The Prime Minister is content for the new memorandum to be brought into use and conveyed to the Public Accounts Committee. She would like it to be circulated to Ministers at a suitable opportunity. As far as senior officials acting as Accounting Officers are concerned, the Prime Minister thinks that the dropping of personal liability should be accompanied by a firm reminder that they should obey the spirit as well as the letter of the memorandum (witness the impending report by the Comptroller and Auditor General on the state of internal audit (the Chancellor's minute of 11 March refers)).
5. I am copying this to Edward Chaplin (Lord President's Office).

[Private Secretary]